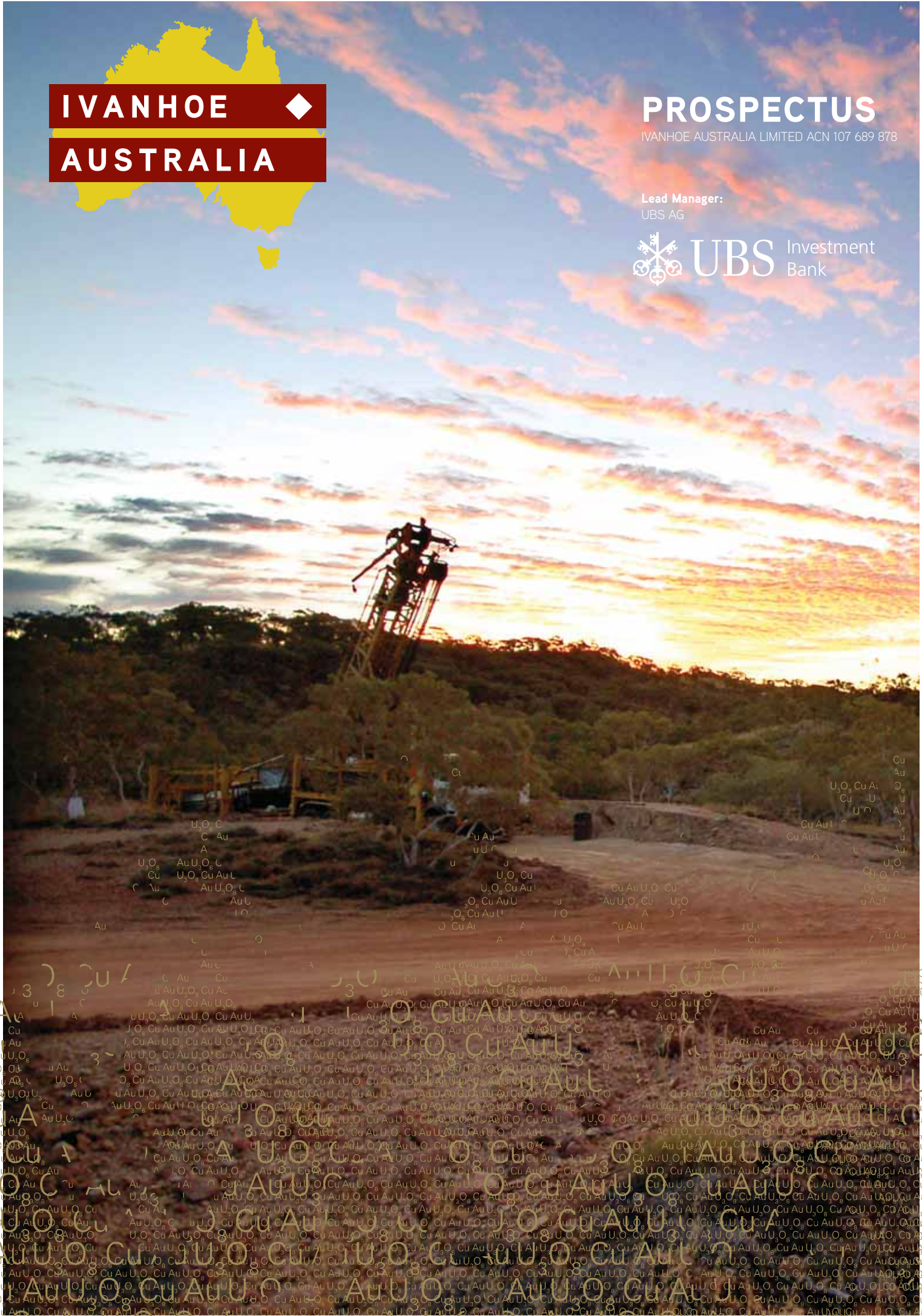


IVANHOE AUSTRALIA

PROSPECTUS

IVANHOE AUSTRALIA LIMITED ACN 107 689 878

Lead Manager:
UBS AG



IMPORTANT NOTICES

Lodgement and Listing

This Prospectus is issued in relation to Ivanhoe Australia Limited ('Ivanhoe Australia'). This Prospectus is dated 4 July 2008 and a copy of this Prospectus was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. No responsibility for the content of this Prospectus is taken by ASIC or by ASX Limited (**ASX**). Ivanhoe Australia will apply to ASX for admission to the Official List of ASX and quotation of the Shares on ASX within seven days after the date of this Prospectus. No Shares will be issued on the basis of this Prospectus after the Expiry Date.

Note to Applicants

It is important that you read this Prospectus carefully and in full before deciding whether to invest in Ivanhoe Australia. In particular, in considering the prospects of Ivanhoe Australia, you should consider the risk factors that could affect the financial performance of Ivanhoe Australia in light of your personal investment needs, objectives and financial circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest. Some of the risk factors that should be considered by potential investors are outlined in Section 5 of this Prospectus.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by Ivanhoe Australia or the Directors in connection with the Offer.

Applications for Shares can only be made on an Application Form attached to or accompanying this Prospectus (including a paper copy of an Application Form issued and distributed with an electronic version of this Prospectus) completed and lodged in accordance with the instructions set out on the Application Form. No Application Form will be accepted if sent in electronic form. The Corporations Act prohibits any person from passing on to another person the Application Form unless it is accompanied by or included in a paper copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Electronic Prospectus

This Prospectus is available online in electronic form on the Ivanhoe Australia website, <http://www.ivanhoeaustralia.com/s/Prospectus.asp>. The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus in electronic form within Australia. Persons who access the electronic form of this Prospectus should ensure they download and read the entire Prospectus. A paper copy of this Prospectus and the Application Form will be provided free of charge to any person located in Australia who requests a copy by contacting the Ivanhoe Australia Offer Information Line on 1300 301 687 (within Australia). The information on the Ivanhoe Australia website is not part of this Prospectus, unless it has been specifically incorporated herein pursuant to subsection 712(3) of the Corporations Act.

No overseas offering

This Prospectus does not constitute an offer or invitation in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction

outside Australia. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. The return of a duly completed Application Form will be taken by Ivanhoe Australia to constitute a representation and warranty made by the Applicant to Ivanhoe Australia that there has been no breach of such laws and that all necessary approvals and consents have been obtained.

This Prospectus may not be distributed in the United States or elsewhere outside Australia unless it is attached to, or constitutes part of, an International Offering Memorandum that describes selling restrictions applicable in the United States and other jurisdictions outside Australia.

The Shares have not been, and will not be, registered under the US Securities Act of 1933 or any state securities laws. Accordingly, the Shares may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable state securities laws. Any offer, sale or resale of Shares in the United States by a dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act if made prior to 40 days after the date on which the Shares are issued. This Prospectus does not constitute an offer to sell or solicitation of an offer to buy any of the Shares within the United States.

Photographs

Photographs used in this Prospectus which are not described are for illustration only and should not be interpreted to mean that any person shown endorses this Prospectus or that the assets shown in them are owned by Ivanhoe Australia.

Financial amounts

Money as expressed in this Prospectus is in Australian dollars unless otherwise indicated.

Forward looking statements

The forward looking statements in this Prospectus are based on the Company's current expectations about future events. They are, however, subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company, the Directors and the Senior Management Team, and which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward looking statements in this Prospectus.

No person named in this Prospectus, nor any other person, guarantees the performance of the Company or the repayment of capital or the payment of a return on the Shares.

Exposure Period

The Corporations Act prohibits Ivanhoe Australia from processing Applications received in the exposure period, being the period of seven days after the date of lodgement of this Prospectus with ASIC. The exposure period may be extended by ASIC by up to a further seven days. The exposure period is to enable the Prospectus to be examined by market participants prior to the raising of funds. Applications received during the exposure period will not be processed until after the expiry of that exposure period. No preference will be conferred on Applications received during the exposure period.

Definitions and abbreviations

Defined terms and abbreviations used in this Prospectus are explained in the Glossary. Certain technical terms used in this Prospectus are also defined in the glossary in the Independent Geologist's Summary Report included in Section 6 of this Prospectus.

Privacy

By filling out the Application Form to apply for Shares, you are providing personal information to Ivanhoe Australia through Ivanhoe Australia's service provider, the Share Registry, which is contracted by Ivanhoe Australia to manage Applications. Ivanhoe Australia, and the Share Registry on its behalf, collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

If you do not provide the information requested in the Application Form, Ivanhoe Australia and the Share Registry may not be able to process or accept your Application.

Your personal information may also be provided to Ivanhoe Australia's agents and service providers on the basis that they deal with such information in accordance with Ivanhoe Australia's privacy obligations. Ivanhoe Australia's agents and service providers may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- The Share Registry for ongoing administration of the Register;
- Printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- The Lead Manager for the purposes of application evaluation and scale back if necessary;
- Market research companies for the purpose of analysing Ivanhoe Australia's Shareholder base and for product development and planning; and
- Legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated corporate actions.

You may request access to your personal information held by (or on behalf of) Ivanhoe Australia and the Share Registry. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information by writing to or telephoning the Share Registry as follows:

Computershare Investor Services Pty Limited
GPO Box 52
Melbourne Vic 8060

Email: privacy@computershare.com.au

Ivanhoe Australia Offer Information Line:
1300 301 687 (within Australia) or
+61 3 9415 4294 (from outside Australia)

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KEY INFORMATION

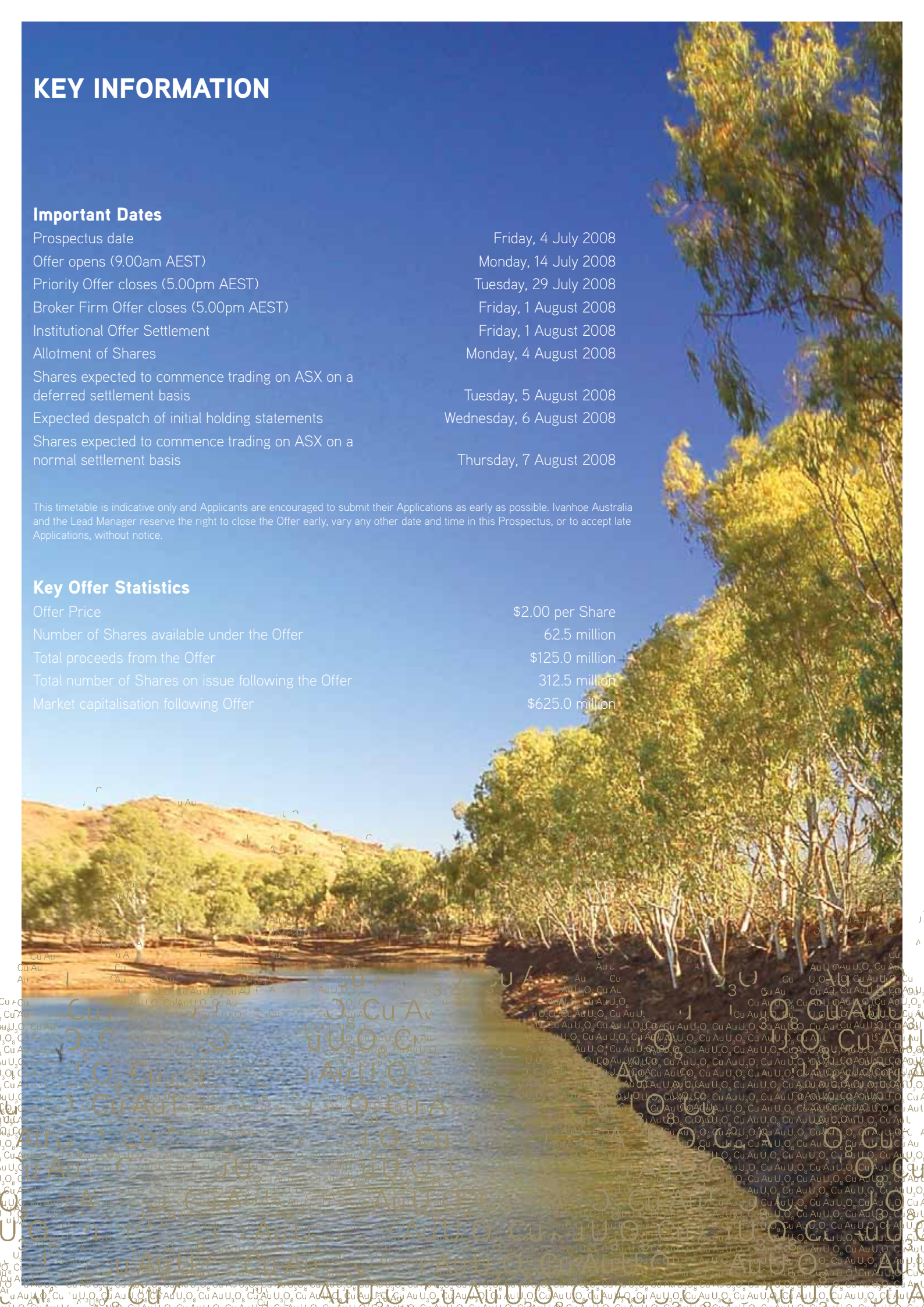
Important Dates

Prospectus date	Friday, 4 July 2008
Offer opens (9.00am AEST)	Monday, 14 July 2008
Priority Offer closes (5.00pm AEST)	Tuesday, 29 July 2008
Broker Firm Offer closes (5.00pm AEST)	Friday, 1 August 2008
Institutional Offer Settlement	Friday, 1 August 2008
Allotment of Shares	Monday, 4 August 2008
Shares expected to commence trading on ASX on a deferred settlement basis	Tuesday, 5 August 2008
Expected despatch of initial holding statements	Wednesday, 6 August 2008
Shares expected to commence trading on ASX on a normal settlement basis	Thursday, 7 August 2008

This timetable is indicative only and Applicants are encouraged to submit their Applications as early as possible. Ivanhoe Australia and the Lead Manager reserve the right to close the Offer early, vary any other date and time in this Prospectus, or to accept late Applications, without notice.

Key Offer Statistics

Offer Price	\$2.00 per Share
Number of Shares available under the Offer	62.5 million
Total proceeds from the Offer	\$125.0 million
Total number of Shares on issue following the Offer	312.5 million
Market capitalisation following Offer	\$625.0 million



CHAIRMAN'S LETTER

4 July 2008

Dear Investor

On behalf of Ivanhoe Australia Limited it is my pleasure to invite you to participate in the Company's initial public offer.

In 2003, Ivanhoe Australia purchased tenements in the Kuridala – Mount Elliott area in the Cloncurry district, Queensland, a district well known for its metal endowment and its association with the Iron Oxide Copper Gold ("IOCG") style of mineralisation. Exploration activity since the purchase has focused on expanding known areas of mineralisation. Additionally there has been an ongoing and successful program for the generation of new exploration targets.

Ivanhoe Australia's key assets are its Cloncurry District exploration tenements, currently totalling over 2,250km² (including EPM applications), on which 3 key projects, Mount Elliott, Mount Dore and Starra Line, are being advanced and evaluated for possible production. It also owns a 19.9% interest in Exco Resources Limited ("Exco Resources") and manages an exploration joint venture with Exco Resources ("Exco JV"). Approximately 560 km² of Exco Resources' tenements are in the Exco JV and together with the Ivanhoe Australia held tenements comprise the "Cloncurry Project". All these tenements are located within the Eastern Succession of the Mount Isa Inlier in northwest Queensland, a major copper-gold, uranium and silver, lead and zinc province. The key highlights of Ivanhoe Australia's operations and asset portfolio are:

Geological Prospectivity

- Ivanhoe Australia currently has direct and (through its shareholding in Exco Resources) indirect interests in relatively under-explored tenements covering approximately 6,350 km² in the Cloncurry District in northwest Queensland. This district is one of the world's richest mining districts hosting several world class mines and a large number of significant mineral deposits.

Target Mineralisation

- IOCG – Recent exploration work conducted on Ivanhoe Australia's tenements has delineated large scale IOCG mineralisation. In particular, significant drilling into a continuously mineralised zone has been achieved at the Mount Elliott project within the Cloncurry Project, with a high-grade zone delineated which is continuing to expand. A resource estimate is expected in August 2008.
- Secondary Copper – In-fill drilling on the Mount Dore project is targeting delineation of a large copper resource suitable for development through heap leach and SXEW methods. A resource estimate is expected in August 2008.
- Re-evaluation of the previously mined Starra Line is underway with a resource estimate expected in August 2008.
- Uranium – Significant uranium potential has been identified by Ivanhoe Australia within the northern and central tenements of the Cloncurry Project, consistent with results from previous drilling and aerial surveys.

Development Studies

- In-fill drilling on the Mount Elliott project is expected to be completed by the end of 2008 and may lead to the commencement of project studies.
- Preliminary studies have commenced for both the Mount Dore and Starra Line projects and may lead to full feasibility studies.

Strong Corporate Platform

- The Board and management team is highly experienced in exploring for and developing large scale mineralised systems.
- Ivanhoe Australia will leverage the technical expertise and corporate network of its parent, Ivanhoe Mines.
- Growth is also targeted through corporate transactions.

The Offer made under this Prospectus seeks to raise \$125 million. Ivanhoe Australia will use the Offer proceeds to continue its extensive exploration program and project studies, to repay a portion of the outstanding Inter-company Loan and the money borrowed to pay for the Exco Resources shares (which is not part of the Inter-company Loan) from its parent, Ivanhoe Mines. A central theme to the ongoing exploration will be a commitment to deep drilling at a number of prospects in order to comprehensively test the potential of the Cloncurry Project tenements. Ivanhoe Australia will also look to grow the Company by pursuing other mineral prospects and strategic corporate transactions that add shareholder value. It is our expectation that Ivanhoe Australia's exploration program will translate into a consistent flow of results to the market.

I encourage you to read this Prospectus carefully and in its entirety, including with reference to the risks of investing in Ivanhoe Australia, disclosed in Section 5 of this Prospectus. If you have any questions in respect of the Offer, please call the Ivanhoe Australia Offer Information Line on 1300 301 687 (within Australia) or +61 3 9415 4294 (from outside Australia) or consult your stockbroker, solicitor, accountant or other professional advisor.

The Directors of Ivanhoe Australia commend this investment opportunity and look forward to you joining us as Shareholders in this exciting venture.

Yours faithfully



Robert Friedland
Chairman
Ivanhoe Australia Limited



Cloncurry: A mineral rich and highly prospective district

- The Mount Isa Inlier is host to several world class ore bodies
- These include Century, Mount Isa, Hilton Group, Cannington, Lady Loretta, Dugald River and Eloise
 - IOCG hosted ore bodies in the Cloncurry district include Ernest Henry and Osborne
- Ivanhoe Australia currently has over 2,250km² of tenements (including EPM applications) and has a right to earn an interest in 560km² of tenements under a joint venture with Exco Resources

MT. ISA REGION



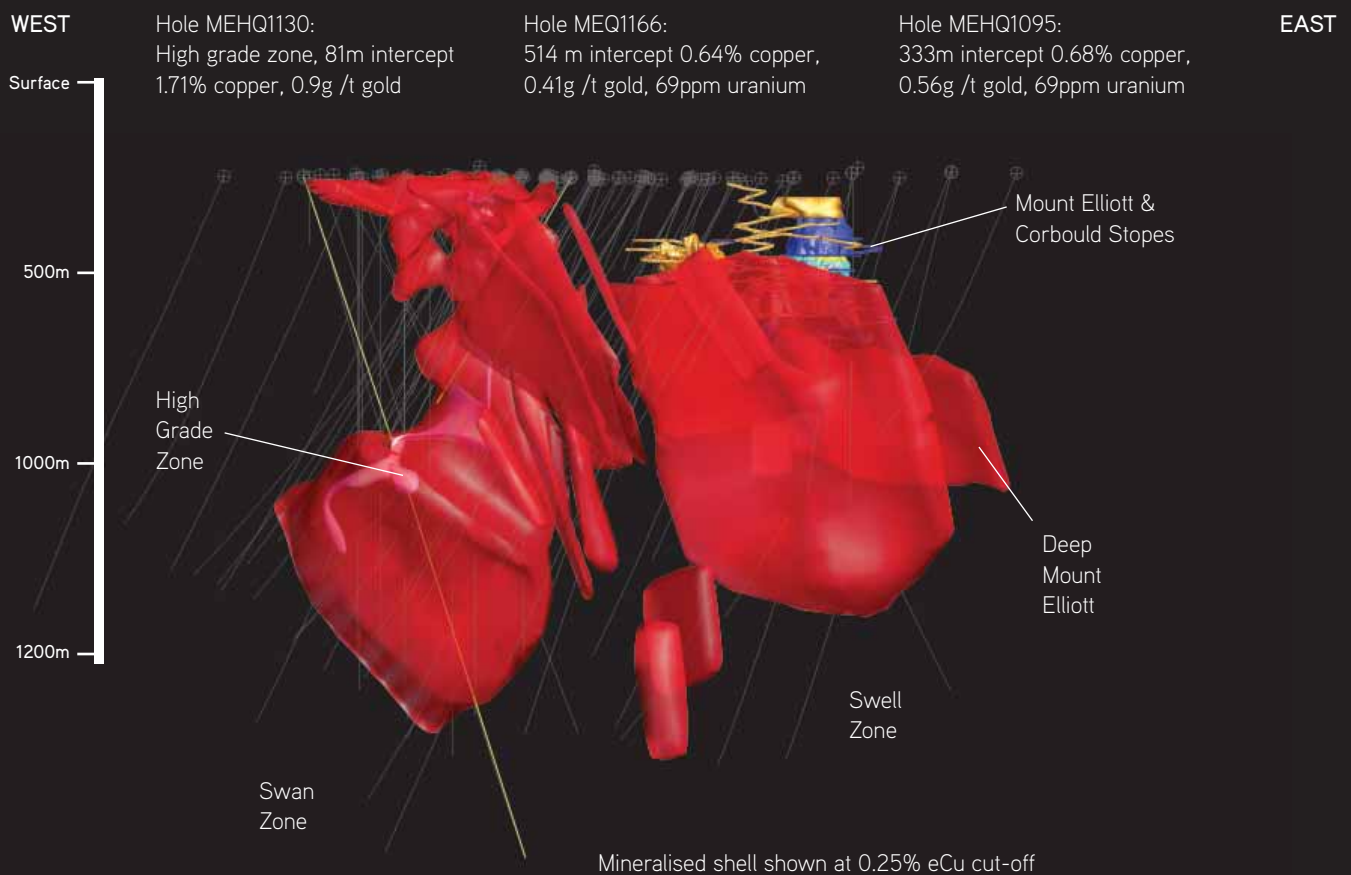
Legend

Ivanhoe Australia Tenement Area	Town
Ivanhoe Australia /Exco Resources Joint Venture Tenements	Powerline
Mine, operating	Gas pipeline
Mine, abandoned	Highway
Prospect	Secondary road (sealed)
	Unsealed road
	Railway

Significant mineralisation established at three key projects, all on granted mining leases

1. MOUNT ELLIOTT

- A substantial mineralised zone has been established at Mount Elliott which is open to the north and at depth
- A high grade core has been delineated at the Swan zone which is currently being expanded
- Drilling is underway over an area of 1km² and mineralisation has been encountered to a depth of 1,200m
- A JORC compliant resource estimate is currently underway and is expected during August 2008

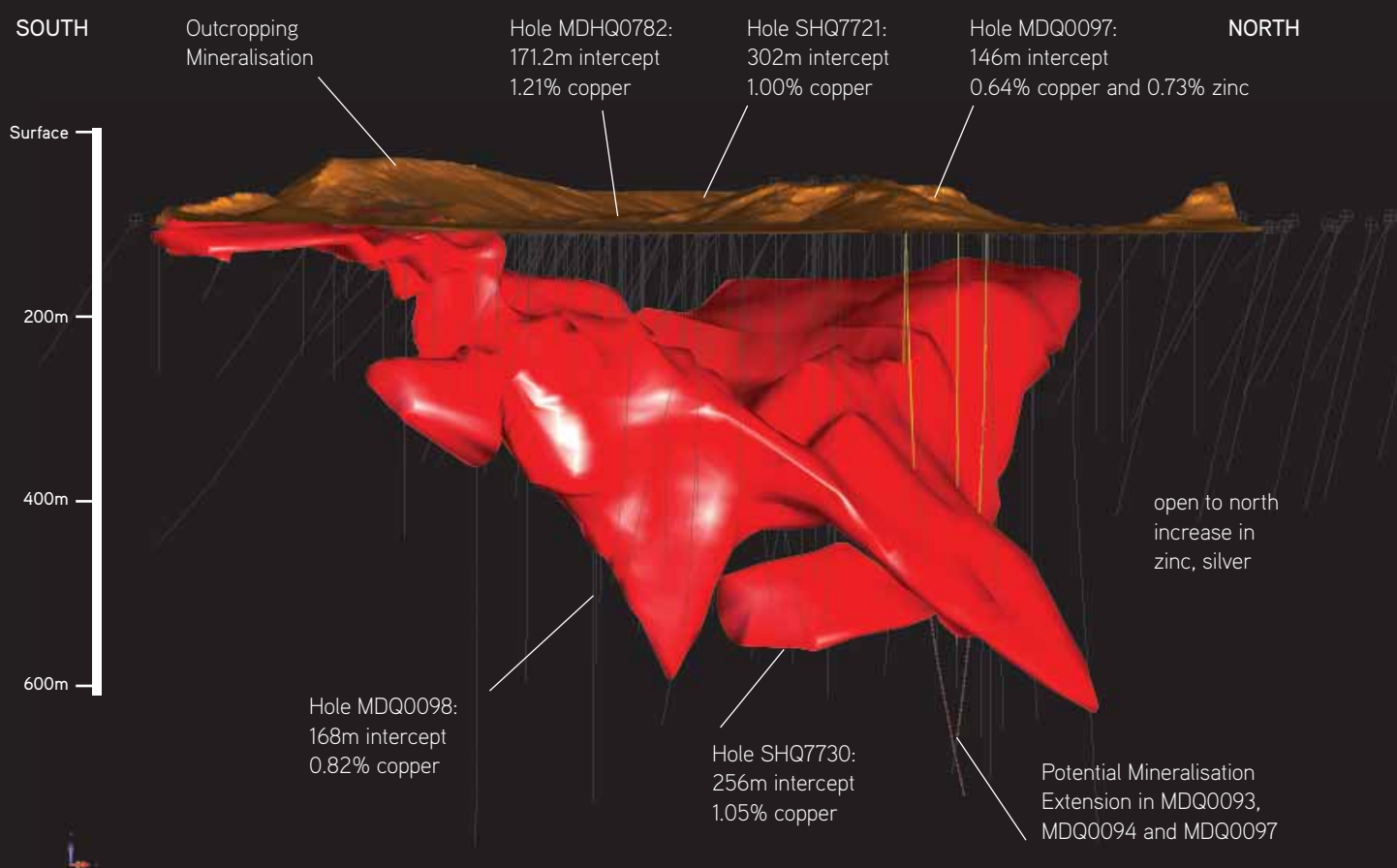


An estimated 300-400 million tonnes are contained within the 0.25% copper equivalent grade shells at Mount Elliott, see competent person statement below.

Competent Person Statement: Tonnage estimates at Mount Elliott are contained within grade shells produced by placing outlines around assayed mineralisation above a copper equivalent grade of 0.25% eCu (Cu% plus 0.4xAu g/t). The mineralisation and grade shells have been defined by over 1,300 holes drilled to 31 May 2008, including 104 deep holes drilled by Ivanhoe Australia. Infill drilling of a further 95 holes continues at the Swan zone. This infill drilling is considered necessary in order to enable sufficient resources to be classified as Indicated Mineral Resources so as to justify the commencement of scoping and feasibility studies. *Estimation of JORC compliant Mineral Resources may reduce this tonnage by an unknown amount due to the consideration of longer term economic factors, such as metal prices and total production costs, that may require higher cut-off-grades to be used, which may reduce tonnage estimates.*

2. MOUNT DORE

- JORC compliant resource estimate is currently underway and is expected during August 2008
- Potential for early production as a heap leach / SXEW producer
- Recent drilling has encountered a significant zone of primary mineralisation
- This zone is open at depth



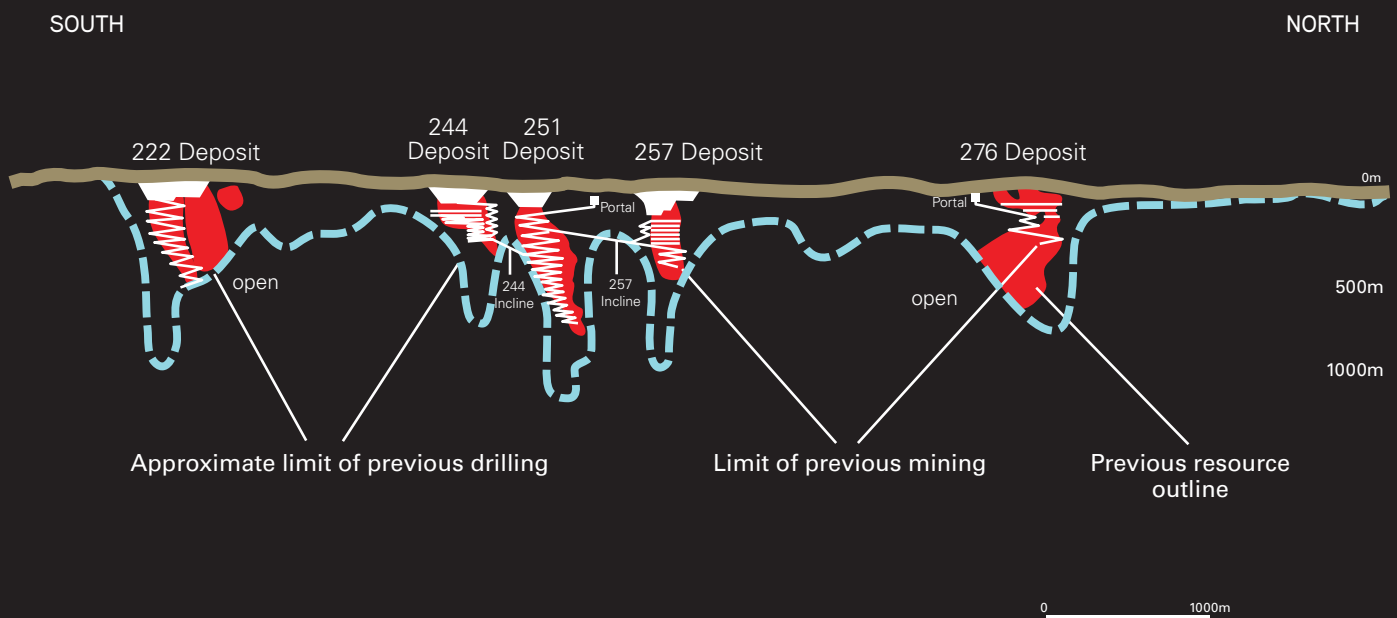
An estimated 50-80 million tonnes are contained within the 0.25% copper grade shell at Mount Dore, see competent person statement below.

Competent Person Statement: Tonnage estimates at Mount Dore are contained within a grade shell produced by placing an outline around assayed mineralisation above a copper grade of 0.25% Cu. The mineralisation and grade shell have been defined by over 254 holes drilled to date, including 78 holes drilled by Ivanhoe Australia. Infill diamond drilling is now complete and special metallurgical holes are being drilled as required. Full assay results for the infill program remained incomplete as at 31 May 2008, however they are expected to be available for the anticipated publication in August 2008 of a mineral resource estimate which it is proposed will have a data cut-off date of 30 June 2008. The drilling to date is considered to be adequate to allow, once assay results are complete, sufficient resources to be classified as Indicated Mineral Resources so as to justify the commencement of scoping and feasibility studies. *Estimation of JORC compliant Mineral Resources may reduce this tonnage by an unknown amount due to the consideration of longer term economic factors, such as metal prices and total production costs, that may require higher cut-off-grades to be used, which may reduce tonnage estimates.*

3. STARRA LINE PROJECT

- Re-evaluation of Starra Line, previously mined by prior owners, has highlighted potentially economic mineralisation
- This mineralisation is adjacent to existing and accessible mine infrastructure
- JORC compliant resource estimation is underway and is expected to be completed during August 2008
- Strong potential exists to extend the known mineralised zone

LONG SECTION OF PREVIOUSLY MINED STARRA LINE



An estimated 20-30 million tonnes remain within the 0.50% copper equivalent grade shells on the Starra Line, based on drawing outlines around previously defined block models derived from over 950 intersections on the Starra Line, see competent person statement below.

Competent Person Statement: The exploration target potential quoted for the Starra Line is contained within copper equivalent grade shells drawn around block models generated for the Starra Line deposits at their closure in 2003. These grade shells enclose blocks above a copper equivalent grade of 0.50% eCu (Cu% plus 0.4xAu g/t). Ivanhoe Australia is re-estimating resources using this copper equivalent cut-off grade (which is a lower cut-off grade than that used for previous estimates issued before Ivanhoe Australia acquired the tenements). No further drilling is planned prior to this estimation, which is expected to be completed in August 2008. *Estimation of JORC compliant Mineral Resources may reduce this tonnage by an unknown amount due to the consideration of longer term economic factors, such as metal prices and total production costs, that may require higher cut-off-grades to be used, which may reduce tonnage estimates.*

The information in Section 3 and elsewhere in this Prospectus that relates to Ivanhoe Australia's exploration results (and exploration targets) for the Mount Dore, Mount Elliott and Starra Line projects, is based on information compiled by Barry Goss, who is a full time employee of Ivanhoe Australia and a Fellow of the Australasian Institute of Mining and Metallurgy. Barry Goss has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a 'Competent Person' as defined in JORC. Barry Goss consents to the inclusion in this Prospectus of the matters based on this information in the form and context in which it appears.

Tenements under-explored at depth for IOCG mineralisation prior to Ivanhoe Australia

- Drilling by previous owners within the Cloncurry Project has only been taken to relatively shallow depths
- Ivanhoe Australia is adopting a strategy of drilling to greater depths to fully explore for IOCG systems
- The world's most significant IOCG deposit is Olympic Dam in South Australia, however, the Cloncurry District also has significant IOCG mineralisation
 - existing mines in the Cloncurry District, Ernest Henry and Osborne, are located on IOCG deposits



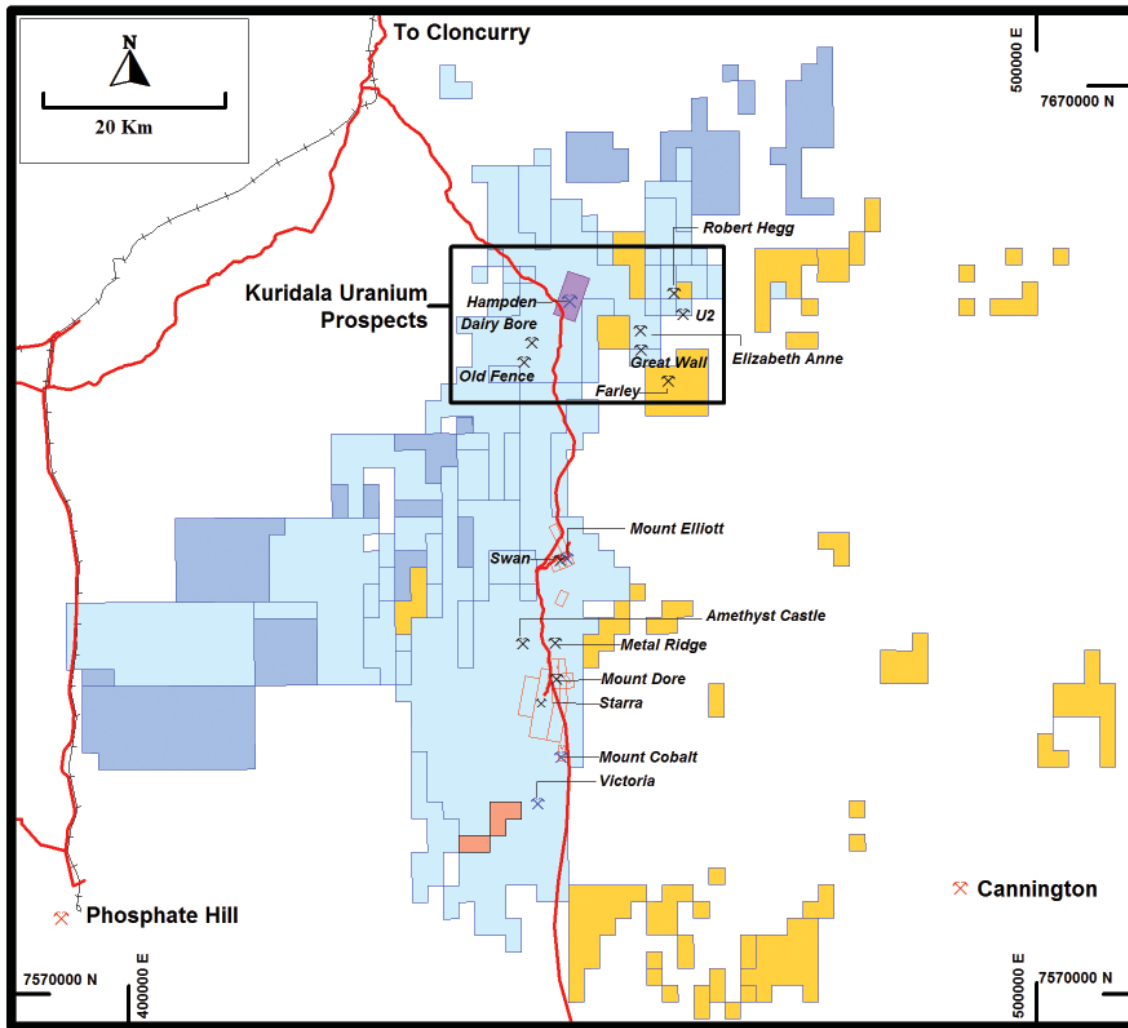
Aggressive drilling strategy underway

- Ivanhoe Australia's differentiated deep drilling strategy aims to delineate large mineralised systems
- To date, Ivanhoe Australia has spent in excess of A\$48m on exploration activities
- Ivanhoe Mines' strategy of deep and well-funded exploration has proven to be historically successful in other regions

Highly prospective suite of other exploration assets

- Extensive exploration program with around 220 further prospects including IOCG targets such as Amethyst Castle and Metal Ridge, secondary copper prospects as well as other significant prospects
- Significant uranium potential also exists on the Cloncurry Project tenements

IVANHOE AUSTRALIA TENEMENT MAP



LEGEND

- Ivanhoe EPM
- Ivanhoe EPM Application
- Ivanhoe ML
- Ivanhoe - Exco JV
- Matrix ML to 100m depth
- Barrick ML Application
- Mine, operating
- Mine, abandoned
- Ivanhoe prospect
- Road
- Railway

Strong corporate platform

- The Board and management team are highly experienced in exploring for and developing large scale mineralised systems
- Potential growth through joint ventures and corporate transactions
- Currently holds a 19.9% stake in Exco Resources, providing further exposure to the Cloncurry District



- Ivanhoe Australia will leverage the technical expertise and corporate network of its Canadian parent, Ivanhoe Mines, an approximately C\$4.1bn market cap company
- Chairman Robert Friedland (founder of Ivanhoe Mines) has a significant track record in major resource discoveries, including Oyu Tolgoi in Mongolia and Voisey's Bay in Canada

Key Risks

Mineral exploration, development and mining are high risk enterprises and only occasionally provide high rewards. Potential investors should consider an investment in Ivanhoe Australia as speculative.

Some of the key risks associated with an investment in Ivanhoe Australia are:

Exploration and Development

Ivanhoe Australia has not as yet published resource estimates for any deposits. There is no assurance that exploration or project studies by Ivanhoe Australia will result in the definition of an economically viable mineral deposit or that the exploration tonnage estimates and conceptual project developments discussed in this Prospectus are able to be achieved.

Fluctuation in Commodity Prices

The price of commodities, particularly copper, gold and uranium, will vary over time. Consequently, adverse movements in commodity prices in the future may affect the viability of prospects discussed in this Prospectus.

Capital Requirements

Future capital requirements are likely to require Ivanhoe Australia to raise further debt or equity. If it is unable to source additional debt or equity on favourable terms or at all, this could adversely affect its ongoing viability.

Availability of Equipment and Personnel

Given the current high level of activity in the Australian mining industry, Ivanhoe Australia may be unable to source personnel and equipment to meet its objectives.

Native Title

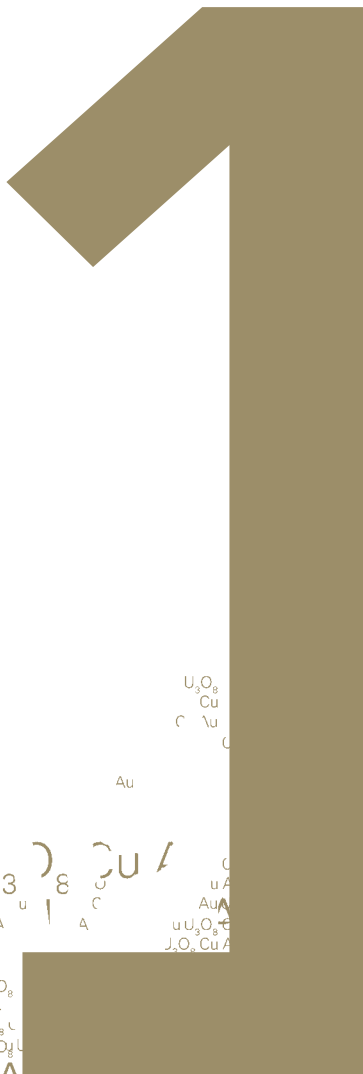
The granting of mining tenements over land requires compliance with native title statutory procedures that are potentially onerous. It is possible that areas containing mineralisation or an economic resource may contain sacred sites, in which case they may remain unmined.

Uranium Policy

Queensland legislation currently prohibits the granting of tenements to mine uranium. Should Ivanhoe Australia discover an economically viable uranium deposit, it will be unable to mine uranium unless this prohibition is lifted.

Other risks are set out in Section 5 of this Prospectus. Before investing in Ivanhoe Australia, potential investors should consider these risk factors carefully and read this Prospectus in its entirety.

Answers to Key Questions



Topic	Summary	Where to find more information
Who is Ivanhoe Australia?	<p>Ivanhoe Australia is an Australian minerals exploration and development company which has tenements located in northwest Queensland near Cloncurry. Its wholly owned exploration and mining tenements in the area, together with joint venture tenements in which it has a right to earn an interest, are known as the Cloncurry Project.</p> <p>Ivanhoe Australia is primarily targeting copper, gold and uranium mineralisation including:</p> <ul style="list-style-type: none"> • IOCG targets, in particular the Mount Elliott project, a large mineralised copper/gold zone delineated by recent exploration work and Starra Line re-evaluation work; • Secondary Copper, in particular the Mount Dore project which is currently the focus of an in-fill drilling program; • Uranium prospects identified within the northern and central tenements of the Cloncurry Project; and • A further 220 prospects that exist in the Cloncurry Region. 	Sections 3 & 6
What is being offered?	<p>62.5 million new fully paid ordinary Shares are being offered by Ivanhoe Australia to raise \$125 million.</p> <p>Shares issued under the Offer will represent 20% of the paid-up capital of Ivanhoe Australia following the Offer. The remaining shares will be held by Ivanhoe Mines through a subsidiary.</p>	Section 2.1
What is the Offer Price?	The Offer Price is \$2.00 per share.	Section 2.3
What will the Market Capitalisation of Ivanhoe Australia be at the completion of the Offer?	Based on the Offer Price, the market capitalisation of Ivanhoe Australia will be \$625 million at the completion of the Offer.	Section 2.1
What are the key dates of the Offer?	The key dates of the Offer are detailed on the Key Information page at the front of this Prospectus	Key Information
What is the purpose of the Offer?	<p>The purpose of the Offer is to:</p> <ul style="list-style-type: none"> • Raise funds to enable Ivanhoe Australia to: <ul style="list-style-type: none"> – finance exploration and development activities on the tenements of the Cloncurry Project; – conduct development studies on the Mount Dore, Mount Elliott and Starra Line projects; – repay a portion of the outstanding Inter-company Loan and the money borrowed to pay for the Exco Resources shares (which is not part of the Inter-company Loan) to its parent Ivanhoe Mines; and – finance its general corporate activities. • Provide Ivanhoe Australia with greater access to capital in the future via its Listing on ASX. 	Section 2.2 & 2.3
What is the structure of the Offer?	<p>The Offer is structured in 2 parts:</p> <ul style="list-style-type: none"> • The Retail Offer, which comprises the Broker Firm Offer and the Priority Offer; and • The Institutional Offer. 	Section 2.6

Topic	Summary	Where to find more information
Who is eligible to invest in the Offer?	<p>The Offer is open to:</p> <ul style="list-style-type: none"> • Investors who receive a firm allocation from their Broker; • Certain other individuals as nominated by Ivanhoe Australia under the Priority Offer; and • Institutional Investors in Australia and certain other jurisdictions. <p>No Shares are being offered to the general public.</p>	Section 2.7 & 2.8
What is the minimum/maximum Application under the Retail Offer?	<p>Applications under the Retail Offer must be for a minimum of 3,000 Shares. Applications in excess of 3,000 Shares must be in multiples of 1,000 Shares thereafter.</p> <p>There is no maximum amount that may be applied for under the Offer.</p>	Section 2.7.5
How do I apply for Shares?	<p>By completing and submitting a valid Application Form attached to or accompanying this Prospectus (including a paper copy of an Application Form issued and distributed with an electronic version of this Prospectus), in accordance with the instructions relating to it.</p>	Application Form
What are the tax implications of investing in Ivanhoe Australia?	<p>The taxation implications of investing in Ivanhoe Australia's Shares will depend on an investor's individual circumstances. Applicants should obtain their own tax advice before investing.</p>	Section 9.15
What are the costs of the Offer and who is paying them?	<p>The costs of the Offer (including Lead Manager's fees, expert's fees, legal and accounting costs, ASIC fees and ASX fees) are estimated to total approximately \$10.3 million (approximately \$1.3 million of these expenses have already been paid) and will be paid by Ivanhoe Australia.</p>	Section 9.13
When will I receive dividends?	<p>As Ivanhoe Australia is a mineral exploration and development company and is not currently mining, generating revenue or making profits, the Directors do not anticipate that Ivanhoe Australia will pay any dividends in the immediate future.</p>	Section 9.3
How can I obtain further information?	<ul style="list-style-type: none"> • By reading this Prospectus in its entirety; • By speaking to your accountant, stockbroker or other professional adviser; or • By calling the Ivanhoe Australia Offer Information Line on 1300 301 687 (within Australia) or +61 3 9415 4294 (from outside Australia); • A copy of the Full Independent Geologist's Report and tables of the exploration results (incorporated by reference in this Prospectus under subsection 712(3) of the Corporations Act) are available by contacting the Ivanhoe Australia Offer Information Line or by visiting the Ivanhoe Australia website, http://www.ivanhoeaustralia.com/s/Prospectus.asp. 	
If my Application is accepted, when will I receive confirmation of my allocation?	<p>Statements confirming Successful Applicants' allocations under the Offer, are expected to be despatched to Shareholders on 6 August 2008.</p>	Section 2.11
Contact details	<p>For further contact details, see the Corporate Directory at the back of this Prospectus.</p>	Corporate Directory



Details of the Offer



2.1. Offer Summary

Under this Prospectus Ivanhoe Australia invites applications from investors for 62.5 million Shares at the Offer Price of \$2.00 per Share, to raise \$125 million. All of the Shares to be issued under this Prospectus will be new fully paid ordinary shares which rank equally in all respects with the ordinary shares already on issue.

Upon Listing, Ivanhoe Australia will have 312.5 million Shares on issue and a market capitalisation of \$625 million (at the Offer Price). Shares to be issued under this Prospectus will represent 20.0% of Ivanhoe Australia's Shares on issue following the Offer. The remaining Shares will be held by Ivanhoe Mines through its wholly owned indirect subsidiary, IAL Holdings Singapore Pte. Ltd. (see also Section 2.4 of this Prospectus).

The Offer will open on 14 July 2008. The Priority Offer is expected to close on 29 July 2008 and the Broker Firm Offer is expected to close on 1 August 2008. The Company and the Lead Manager retain the right to vary the dates of the Offer without notice.

2.2. Purposes of the Offer

The purpose of the Offer is to:

- Raise funds to enable Ivanhoe Australia to :
 - finance exploration and development activities on the tenements of the Cloncurry Project;
 - conduct development studies on the Mount Dore, Mount Elliott and Starra Line projects;
 - repay a portion of the outstanding Inter-company Loan and the money borrowed to pay for the Exco Resources shares (which is not part of the Inter-company Loan), to its parent, Ivanhoe Mines; and
 - finance its general corporate activities.
- Provide Ivanhoe Australia with greater access to capital in the future via its Listing on ASX.

2.3. Sources and Uses of Funds

A breakdown of the expected sources and uses of the Offer Proceeds is shown below:

Sources	\$
Offer Proceeds	\$125m
Total	\$125m

Uses	\$
Exploration and development ¹	\$71.4m
Corporate and other working capital	\$6.2m
Offer Costs	\$9.0m
Part repayment of Inter-company Loan ²	\$30.0m
Repayment to Ivanhoe Mines for acquisition of Exco Resources shares ³	\$8.4m
Total	\$125m

¹ Refer to Section 3.5 of this Prospectus for a more detailed disclosure of the Company's 2 year exploration and development budget.

² Refer to Section 9.6 of this Prospectus for a more detailed disclosure of the terms of the Remaining Inter-company Loan.

³ Repayment to Ivanhoe Mines of monies borrowed to acquire Exco Resources shares.

Part of the funds raised under the Offer will be used to repay a portion of Ivanhoe Australia's Inter-company Loan from Ivanhoe Mines. As at 30 April 2008, the Inter-company Loan balance was \$74.7 million. It is estimated that this balance will be approximately \$82.6 million (excluding \$8.4 million for the acquisition of the Exco Resources shares) at Allotment.

That part of the Inter-company Loan that is not repaid out of the proceeds of the Offer (approximately \$52.6 million) (Remaining Inter-company Loan) will remain as a liability on the Ivanhoe Australia consolidated balance sheet. The Remaining Inter-company Loan will have a 5 year maturity, and will be interest free for a period of eighteen months, from 17 June 2008. Section 9.6 of this Prospectus provides further details on the terms that will apply to the Remaining Inter-company Loan following the Offer.

2.4. Ownership Structure

Details of the ownership structure of Shares in Ivanhoe Australia immediately prior to, and at the completion of, the Offer are set out below.

Party	Prior to the Offer		Post Offer	
	Shares	%	Shares	%
Ivanhoe Mines	250m	100%	250m	80.0%
Shareholders pursuant to the Offer	0	0	62.5m	20.0%
Total	250.0m	100%	312.5m	100%

Note: Performance Rights are to be issued to management and Directors of Ivanhoe Australia under the Employee Share Plan – please see Section 9.9 of this Prospectus for further details. Shareholders pursuant to the Offer may comprise substantial holders.

2.5. Mandatory Escrow of Shares

The Company expects that ASX will apply, as a condition of Listing, a mandatory escrow on all or a large proportion of Ivanhoe Mines' Shares for a period of between 12 and 24 months from the date of official quotation of the Shares on the ASX. An ASX mandatory escrow would require Ivanhoe Mines and IAL Holdings Singapore Pte. Ltd. to enter into a restriction agreement with Ivanhoe Australia under which the holder's right to dispose of or otherwise deal with some or all of their Shares is restricted for the period of the mandatory escrow.

2.6. Structure of the Offer

The Offer is structured as follows:

- The Retail Offer, which consists of:
 - the Broker Firm Offer; and
 - the Priority Offer.
- The Institutional Offer, which is open to Australian and certain overseas institutions.

The Lead Manager will, in consultation with Ivanhoe Australia, determine the allocation of Shares between the Retail Offer and the Institutional Offer, and within the Institutional Offer. Allocations may result in a Shareholder pursuant to the Offer having a substantial (>5%) holding.

All Shares offered for issue under this Prospectus rank equally with each other and with existing Shares.

The Offer is not underwritten. Ivanhoe Australia and the Lead Manager have entered into an Offer Management Agreement in respect of the management of the Offer. A summary of the Offer Management Agreement is set out in Section 9.4 of this Prospectus.

2.7. The Retail Offer

The Retail Offer is open to certain retail investors, being those investors who apply under the Broker Firm Offer or the Priority Offer, who have a registered address in Australia and receive this Prospectus in Australia. The Retail Offer opens at 9.00am AEST on 14 July 2008. The Priority Offer is expected to close on 29 July 2008 and the Broker Firm Offer is expected to close on 1 August 2008.

Ivanhoe Australia and the Lead Manager reserve the right to reject any Application, including Applications that have not been correctly completed or are accompanied by cheques that are dishonoured, or to allocate any Applicant a lesser number of Shares than applied for.

Investors under the Retail Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the number applied for, will be mailed a refund (without interest) of all or part of their Application Monies, as applicable.

Investors who would typically be regarded as Institutional Investors who have applied under the Retail Offer may have their Applications treated as part of the Institutional Offer.

No Shares are being offered to the general public.

2.7.1 Broker Firm Offer

The Broker Firm Offer is only open to Australian resident retail investors receiving this Prospectus in Australia who have received a firm allocation of Shares from their Broker.

Applicants who have been offered a firm allocation of Shares by their Broker will be treated as Broker Firm Applicants in respect of those allocations. Applicants under the Broker Firm Offer should complete and lodge an Application Form and Application Monies, in accordance with the instructions of their Broker from whom the firm allocation of Shares was received.

Ivanhoe Australia, the Share Registry and the Lead Manager are not liable for any acts or omissions by your Broker in connection with your Application, Application Form or Application Monies.

It will be a matter for the Brokers as to how they allocate Shares among their retail clients in the Broker Firm Offer. It is the sole responsibility of the Brokers to ensure that their retail clients with a firm allocation receive their relevant Shares.

Applicants under the Broker Firm Offer must not send their Application Forms to the Share Registry.

2.7.2 Priority Offer

The Priority Offer is only being extended to certain eligible Australian resident Applicants nominated by Ivanhoe Australia, receiving this Prospectus in Australia.

For Applications under the Priority Offer, completed Application Forms together with accompanying Application Monies must be received by mail at the Share Registry by no later than 5.00pm (AEST) on 29 July 2008, at the following address:

Postal Address:

**Ivanhoe Australia Share Issue
Computershare Investor Services Pty Limited
GPO Box 52
Melbourne VIC 8060**

Applications in the Priority Offer must be accompanied by a cheque or bank draft drawn on an Australian financial institution in Australian currency and made payable to 'Ivanhoe Australia Offer' and crossed 'Not Negotiable'. Cash will not be accepted. Receipts for payment will not be issued. Applicants should ensure that sufficient funds are held in their relevant account(s) to cover their cheque(s). Ivanhoe Australia will determine how to allocate Shares under the Priority Offer.

2.7.3 Disbursement of Application Monies

Application Monies for Shares offered under this Prospectus will be held on trust for Applicants until the issue of Shares to Successful Applicants.

Application Monies will be fully or partially refunded where an Application is rejected or accepted in part only, the Offer is withdrawn and/or cancelled, or ASX does not grant permission for Shares to be quoted within 3 months after the date of this Prospectus. No interest will be paid on refunded amounts.

2.7.4 Validity of Application Forms

An Application Form may only be distributed attached to or accompanying a complete and unaltered copy of this Prospectus. Application Forms included with this Prospectus contain a declaration that the investor has personally received the complete and unaltered Prospectus prior to completing the Application Form.

Ivanhoe Australia will not accept a completed Application Form if it has reason to believe that the Applicant has not received a complete copy of this Prospectus or if it has reason to believe that the Application Form has been altered or tampered with in any way.

2.7.5 Minimum Application

An Application under the Offer must be for a minimum of 3,000 Shares. Applications in excess of 3,000 must be in multiples of 1,000 Shares thereafter. There is no maximum amount which may be applied for under the Offer.

2.8. The Institutional Offer

The Lead Manager may invite certain institutions to participate in the Offer. The Institutional Offer is structured as follows:

- to Australian institutions, where the Offer is made under this Prospectus;
- to “qualified institutional buyers” (as defined in Rule 144A under the US Securities Act) in the United States in transactions exempt from the registration requirements of the US Securities Act, and where the Offer is made under the International Offering Memorandum; and
- to Institutional Investors resident in certain jurisdictions outside Australia and the United States in compliance with Regulation S under the US Securities Act and applicable laws of jurisdictions where the Shares may be lawfully offered and sold, and where the Offer is made under the International Offering Memorandum.

Application and settlement procedures for Institutional Investors in the Institutional Offer will be advised by the Lead Manager.

Allocation of Shares amongst Applicants in the Institutional Offer will be determined by the Lead Manager, in consultation with Ivanhoe Australia. There is no assurance that any Applicant will be allocated any Shares or the number of Shares for which they have applied.

2.9. ASX Listing

Ivanhoe Australia will, within seven days after the date of this Prospectus, apply to ASX for admission of Ivanhoe Australia to the Official List of ASX and for official quotation of Shares on ASX. The fact that ASX may admit Ivanhoe Australia to the Official List is not to be taken as an indication of the merits of Ivanhoe Australia or the Shares offered under this Prospectus. If ASX does not grant permission for Shares to be quoted within 3 months after the date of this Prospectus, the Offer will be cancelled and all Application Monies will be refunded without interest as soon as practicable.

It is expected that Shares will be issued to Successful Applicants on 4 August 2008. Normal settlement trading of Shares on ASX is expected to commence on or about 7 August 2008.

2.10. Deferred Settlement Trading on the ASX

It is expected that the Shares will be quoted on ASX on or about 5 August 2008, initially on a deferred settlement basis.

Shares will commence trading on a deferred settlement basis once Ivanhoe Australia has advised ASX that Allotment has occurred, which is expected to be on or about 4 August 2008. Deferred settlement trading will continue until Ivanhoe Australia has advised ASX that initial holding statements have been despatched to Shareholders which is expected to be on or about 6 August 2008. Normal (T+3) settlement trading is expected to commence on or about 7 August 2008.

Applicants under the Broker Firm Offer will be able to confirm their firm allocations through the Broker from which they received their allocation. Applicants under the Priority Offer will each be directly notified of their allocation by Ivanhoe Australia. Applicants under the Retail Offer will also be able to call the Ivanhoe Australia Offer Information Line on 1300 301 687 (within Australia) or +61 3 9415 4294 (from outside Australia) to ascertain information about their allocation.

It is the responsibility of each Applicant to confirm their holding before trading Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk.

Ivanhoe Australia, the Lead Manager and the Share Registry disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement.

2.11. CHESSE and Holding Statements

Ivanhoe Australia will apply to ASX to participate in the security transfer system known as CHESSE. In accordance with the Listing Rules and the ASTC Settlement Rules, Ivanhoe Australia will maintain an electronic issuer-sponsored sub-register and an electronic CHESSE sub-register. Following the issue of Shares to Successful Applicants, Shareholders will be sent a statement that sets out the number of Shares that they have been allocated. These statements are expected to be despatched on or about 6 August 2008.

These statements will also provide details of a Shareholder’s identification number or, where applicable, the securityholder reference number. It is the responsibility of Applicants to determine their allocation prior to trading Shares. Shareholders will receive subsequent statements showing any changes to their holding of Shares. No share certificates will be issued.

2.12. Electronic Prospectus

This Prospectus may be viewed online at Ivanhoe Australia’s website, <http://www.ivanhoeaustralia.com/s/Prospectus.asp>. Applicants using any Application Form attached to the electronic version of this Prospectus must be resident in Australia and receive this Prospectus in Australia. The electronic version of this Prospectus is not available to persons outside Australia and, in particular, it is not available in the United States.

Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. A paper copy of this Prospectus is available free of charge to any person in Australia by calling the Ivanhoe Australia Offer Information Line on 1300 301 687 (within Australia).

2.13. Taxation

The Australian taxation consequences of any investment in Shares will depend upon the investor’s particular circumstances. It is your obligation to make your own enquiries concerning the taxation consequences of an investment in Ivanhoe Australia. If you are in doubt as to the course you should follow, you should consult your accountant or other professional taxation advisor.

2.14. Right to Vary or Withdraw the Offer

The Lead Manager and Ivanhoe Australia have the right to vary any of the dates set out in this Prospectus relating to the Offer, without notice to any recipient of this Prospectus or any Applicant. This includes, although is not limited to, varying the dates of the Offer timetable.

Ivanhoe Australia may at any time withdraw this Prospectus and the Offer, in which case Ivanhoe Australia will return all Application Monies as soon as practicable and, in any event, within 21 days of giving notice of its withdrawal. Any interest earned on Application Monies prior to withdrawal will belong to Ivanhoe Australia.

2.15. Overseas Investors

No action has been taken to register or qualify the Shares or the Offer, or otherwise to permit a public offering of Shares, in any jurisdictions outside Australia.

This Prospectus does not constitute an offer or an invitation in any place outside Australia where, or to any person to whom, it would be unlawful to make such an offer or invitation. It is the responsibility of any Applicants who are citizens or residents of jurisdictions outside of Australia to ensure compliance with all laws of any jurisdiction which are relevant to their Applications.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons who obtain this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be distributed in the United States or elsewhere outside Australia unless it is attached to, or constitutes part of, an International Offering Memorandum that describes selling restrictions applicable in the United States and other jurisdictions outside Australia. The Shares have not been, and will not be, registered under the US Securities Act or any state securities laws. Accordingly, the Shares may not be offered or sold in the United States except to the extent permitted by the Offer Management Agreement in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable state securities laws. Any offer, sale or resale of Shares in the United States by a dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act if made prior to 40 days after the date on which the Shares are issued. This Prospectus does not constitute an offer to sell or solicitation of an offer to buy any of the Shares within the United States.

2.16. Enquiries

If you require assistance to complete the Application Form or require additional copies of this Prospectus, you should contact the Ivanhoe Australia Offer Information Line on 1300 301 687 (within Australia) or +61 3 9415 4294 (from outside Australia).

If you are unclear in relation to any matter or are uncertain as to whether Ivanhoe Australia is a suitable investment for you, you should seek professional advice from your stockbroker, lawyer, accountant or other professional adviser.



3.1. Company Profile

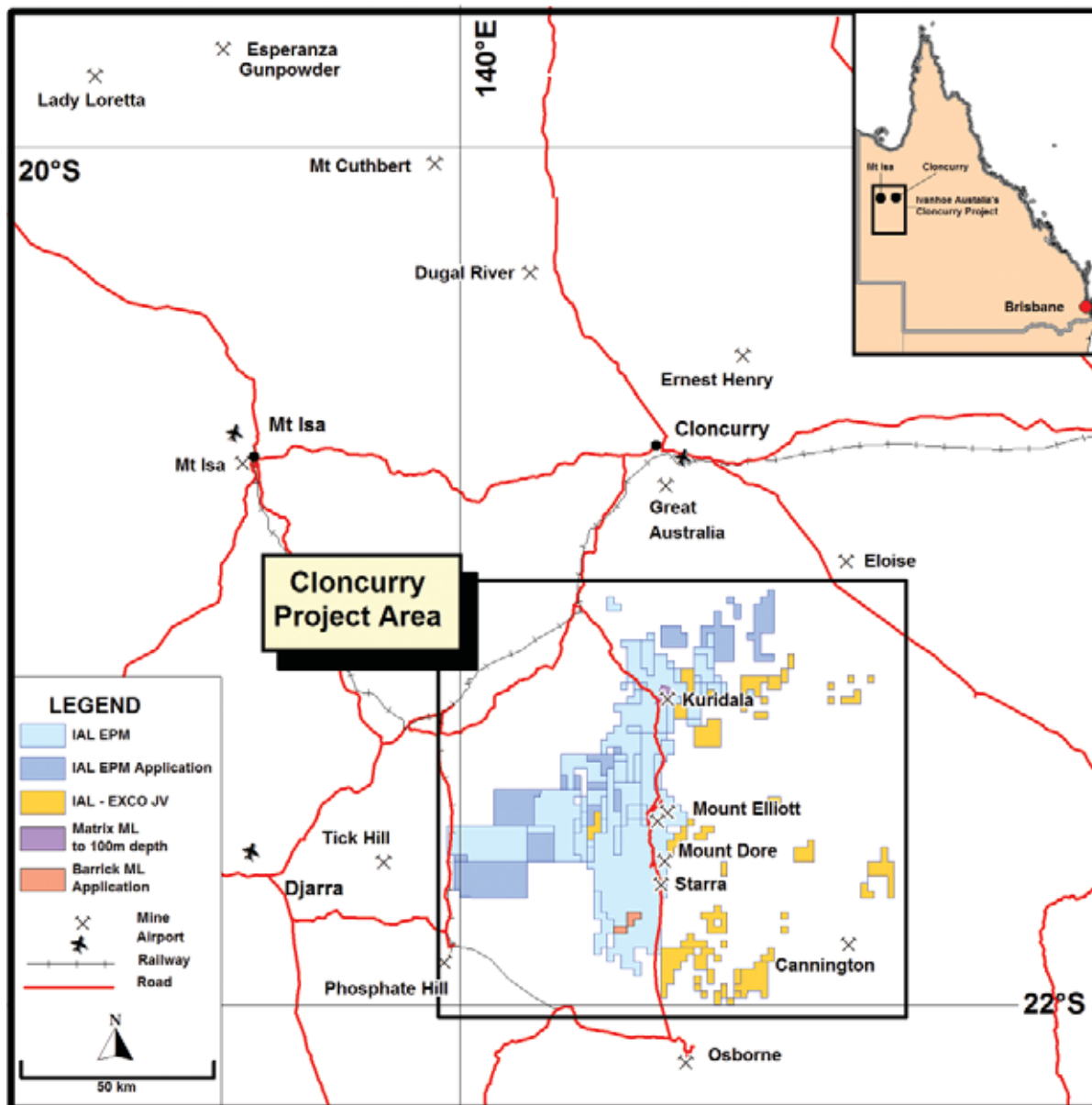
Ivanhoe Australia is an Australian based minerals exploration and development company that has mining tenements located in northwest Queensland (see Figure 3.1). Ivanhoe Australia currently operates primarily through its wholly owned subsidiary, Ivanhoe Cloncurry Mines Pty Ltd (“Ivanhoe Cloncurry”).

Ivanhoe Australia is currently a wholly owned subsidiary of Vancouver-based Ivanhoe Mines Ltd., which is listed on the Toronto, New York and NASDAQ exchanges. As at the date of this prospectus, Ivanhoe Mines had a market capitalisation of approximately C\$4.1bn. Following the Offer, Ivanhoe Mines will retain 80% of the Shares in Ivanhoe Australia.

As a separately listed entity following the IPO, Ivanhoe Australia will continue to leverage the support, knowledge and extensive relationship networks of its parent, Ivanhoe Mines. Importantly, Ivanhoe Mines and Ivanhoe Australia share a common philosophy and approach to minerals exploration and development. For Ivanhoe Australia this will involve the pursuit of extensive, well funded, deep drilling exploration programs to identify economic resources that can be progressed to the feasibility and development stage.

The Company is currently conducting an extensive exploration program on its large tenement holding and has commenced with the preliminary assessment of potential development options on 3 projects.

Figure 3.1 – The Cloncurry Region



Source: Ivanhoe Australia

3.2. Geological prospectivity of the Cloncurry district

3.2.1 A prolific mining district

Ivanhoe Australia has an interest in tenements (“IAL Tenements”) currently covering an area of over 2,250 km² (including EPM applications)¹ located in the Cloncurry District and has a direct investment in Exco Resources which holds about 4,100 km² of tenements also in the Cloncurry District, of which about 560 km² are held in joint venture with Ivanhoe Australia (“Exco JV Tenements”). The IAL Tenements and the Exco JV Tenements are collectively known as the Cloncurry Project and include approximately 220 prospects. As outlined in Section 8 of this Prospectus, the IAL Tenements are held under 15 Exploration Permits for Minerals (“EPMs”) and 20 Mining Leases (“MLs”). Ivanhoe Australia also has a further 5 EPM Applications² currently pending with the Queensland Department of Mines and Energy.

The Cloncurry Project, located within the Eastern Succession of the Mount Isa Inlier in northwest Queensland, contains prospective copper, gold, lead, zinc, silver and uranium mineral deposits and occurrences. The Mount Isa Inlier hosts the Mount Isa, Century, Hilton Group, Cannington, Lady Loretta and Dugald River lead, zinc, silver mines and deposits as well as the Mount Isa copper mine, the Ernest Henry,

Osborne and Eloise copper-gold mines, the depleted Tick Hill gold mine, and the Valhalla, Mary Kathleen and Andersons uranium deposits (see Figure 3.2).

The Cloncurry Project tenements contain Iron Oxide Copper Gold (IOCG) style copper-gold mineralised systems that have the potential to host large-scale deposits similar to the nearby Ernest Henry Mine, the Olympic Dam Mine, the Prominent Hill project and the Carapateena project in South Australia.

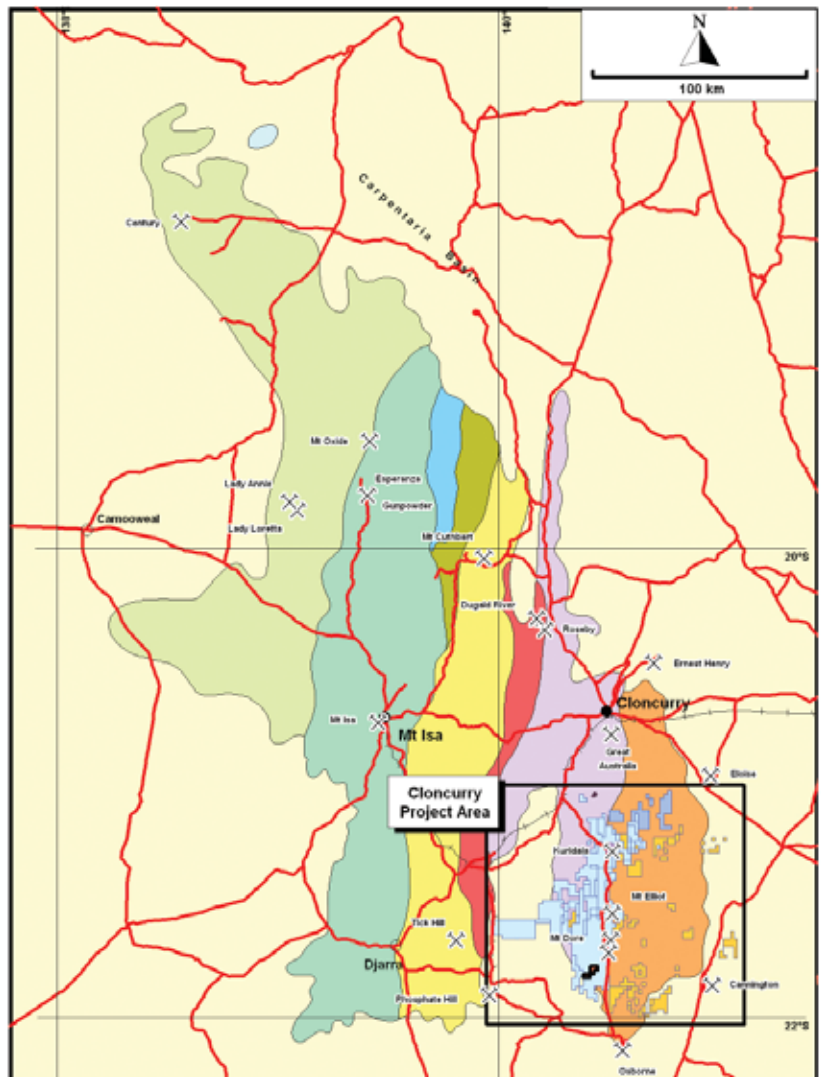
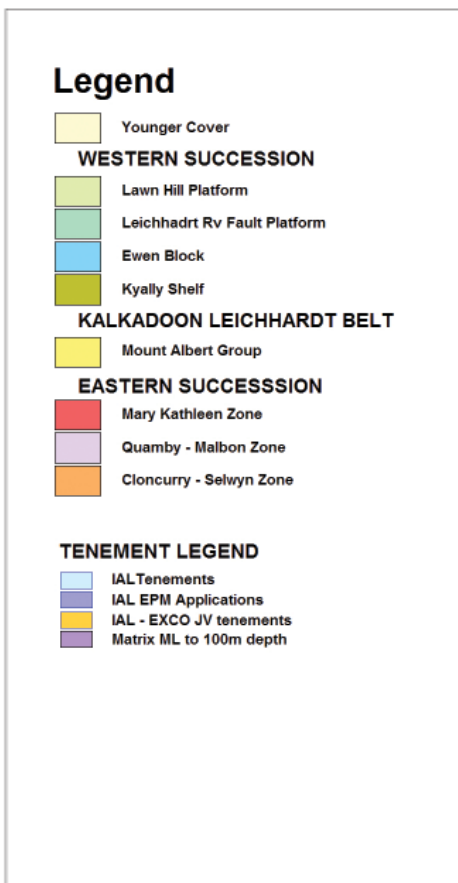
IOCG deposits represent a group of deposits encompassing a diverse range of ore systems. They contain copper with or without gold as economic metals and sometimes contain uranium; they generally have abundant magnetite and/or hematite. There are often granite bodies nearby that have similar ages to the IOCG deposits; but there is generally not a direct link between the deposits and the granites or other igneous intrusions. The metals in the system are usually introduced by heated saline fluids which have been channeled along faults and other structures or stratigraphic horizons. IOCG deposits are formed over a wide range of depths from near surface to as deep as 10 kilometres.

Exploration for IOCG deposits can include regional gravity and/or aeromagnetic and/or radiometric surveys. The presence of iron-rich rocks is often indicated by positive gravity and magnetic anomalies whilst radiometric surveys can identify areas of anomalous uranium. Regional

¹ The stated area does not include any parts of Ivanhoe Australia’s EPM applications that are subject to competing applications. Ivanhoe Australia’s EPM applications that are not subject to competing applications currently cover an area of over 600km².

² There is a competing EPM application lodged by another exploration company over 8 of the 15 sub-blocks covered by Ivanhoe Australia’s most recent EPM Application (being its application for EPM17658 lodged on 2 June 2008). See section 4.3 of the Solicitor’s Report on Mining Tenements in Section 8 of this Prospectus for further details.

Figure 3.2 – Regional Geology – Mount Isa Inlier



Source: Blake, D.H., Etheridge, M.A., Page, R.W., Stewart, A.J., Williams, P.R., and Wyborn, L.A., 1990. Mount Isa Inlier – regional geology and mineralisation in *Geology of the Mineral Deposits of Australia and Papua New Guinea* (Ed. F.E. Hughes), pp 915-925 (The Australasian Institute of Mining and Metallurgy: Melbourne)

surveys are followed up by surface geochemical surveys such as soil and rock-chip sampling and then by exploration drilling to determine the depth and strike continuity of the ore zone and to assess the concentration of ore minerals. Closely spaced resource drilling is done to confirm the continuity and grade of the mineralisation in order for a bankable feasibility study to be carried out.

3.2.2 A successful mining history of the Cloncurry Project

The Cloncurry Project has been the subject of exploration and mining activities by a number of companies over the past 100 years: the original discovery in the district was the Great Australia mine in Cloncurry in 1867; the Hampden deposits at Kuridala were discovered in 1884; and the Mount Elliott deposit was discovered by James Elliott in 1899.

Open cut mining by previous tenement holders of the 4 oxidised gold-rich caps of the copper-gold deposits commenced along the Starra Line in 1988, followed by the development of 5 underground copper-gold sulphide mines prior to 1999. A new underground mine was developed at Mount Elliott in 1993. The sulphide ore from the Starra Line and Mount Elliott underground mines was treated through a flotation plant to produce copper/gold concentrate. This operation closed in 1999.

Selwyn Mines Limited purchased the operations in 1999 and re-commenced mining in 2000. Production from the project during the 2001 financial year totalled 641,000 tonnes of ore which contained 2.93% copper and 1.46 g/t gold, producing 17,475 tonnes of copper and 23,967 oz of gold in concentrate¹. In 2002, Selwyn Mines experienced operational difficulties during a period of low metal prices. The Selwyn Mines operation closed as a consequence at the end of 2002, and Selwyn Mines entered receivership.

Ivanhoe Australia, through Ivanhoe Cloncurry Mines Pty Limited, acquired most of the IAL Tenements in late 2003 and shortly after commenced exploration. As part of its acquisition of the IAL Tenements, Ivanhoe Australia obtained a database of technical information relating to the drilling and exploration undertaken by the previous project owners. Furthermore, Ivanhoe Australia during 2007 and 2008 has acquired a significant interest (currently 19.9%) in Exco Resources, a company with strategic ground-holdings and actively exploring in the Cloncurry District. Ivanhoe Australia also has a joint venture on Exco Resources' southern tenements, entered into in May 2007 (see Section 3.7.1 for further information about the interest in Exco Resources and the Exco JV). Ivanhoe Australia's Chief Executive Officer and Managing Director, Peter Reeve, has recently been appointed a director of Exco Resources.

3.3. Significant mineralisation established at 3 main locations

The Cloncurry Project has been the site of many previous mining operations. Exploration since Ivanhoe Australia has managed the site has been primarily focused on expanding previously discovered mineral deposits. Due to the significance of the mineralisation defined in the Swan Zone at Mount Elliott and at Mount Dore and the remnant mineralisation at Starra Line, Ivanhoe Australia has commenced conceptual development studies for the delineation of 3 projects. Resource estimation is currently underway at these projects which are:

1. Mount Elliott
2. Mount Dore
3. Starra Line

The current objectives of Ivanhoe Australia are to advance the resource estimation and studies, to complete in-fill drilling programs on Mount Dore and Mount Elliott and to collate previous drill data on Starra Line. On the current schedule, it is expected that mineral resource estimates will be completed for the Starra Line, Mount Dore and Mount Elliott projects during August 2008.

Exploration target tonnage estimates have been generated for each of these 3 projects based on the tonnage estimated to be within grade shells generated by placing boundaries around the intersections from drill holes or around previously generated block-models, where the grade of the mineralisation inside the shell exceeds a cut-of-grade as for that grade shell. Mineral Resources have not been published due to the need to fully verify old drilling data going back 30 years and the desire to have a complete set of data available from current drill programs before an estimate is published.

Following completion of each resource estimate it is anticipated that project studies will commence and some of these may run concurrently. Preliminary work has commenced for these studies, including metallurgical testing.

The conceptual development strategy, subject to the outcome of further studies, currently envisages the re-establishment of a high grade processing concentrator on the original Starra concentrator site, with the ore being sourced from underground mines utilising the existing declines (sloping tunnels used to access ore underground) at Starra Line.

If, following successful studies, a decision is made to re-establish underground mining on the Starra Line, it is also possible that studies may confirm the viability of establishing an open pit mine, heap leach Solvent Extraction and Electrowinning (SXEW) copper project at nearby Mount Dore. This development would ideally overlap with the Starra Line development and share major infrastructure.

For Mount Elliott it is anticipated that following an expected updated re-estimation of a mineral resource in January 2009, a series of studies would allow a development decision to be taken within 2 to 2.5 years. If a positive development decision is achieved, a 2 year construction period is anticipated, with mining expected to commence with an open pit which will mine the top of the Swan zone and the unmined mineralisation in the Mount Elliott and Corbould zones and the top of the Swell zone (see Section 3.3.1 below for a discussion of these zones). Such a pit could then be expected to be followed by large scale underground mining utilising low cost sub-level or block caving methods depending on the suitability of the ore types.

Importantly, at each of the 3 projects, exploration and evaluation is indicating an extension of the already encountered mineralisation. Should project development proceed for these projects, the potential for expansion of the known zones remains high.

3.3.1 Mount Elliott Project

The Mount Elliott project comprises a number of previously identified zones of mineralisation including the South West Anomaly ("Swan"), Mount Elliott, South West Elliott ("Swell") and Corbould zones.

Ivanhoe Australia focused its early work on the Swan zone, located west of the old Mount Elliott mine, with the intention of expanding the known oxide and secondary copper and gold mineralisation that had been identified by previous mine operators. The drill program undertaken by Ivanhoe Australia in 2004 was successful in expanding the area of known copper and gold mineralisation in both the oxide

¹ These production figures are from an information memorandum prepared for the receivers and managers of Selwyn Mines by Investor Resources Limited. Neither Investor Resources Limited nor Selwyn Mines (nor its receivers) have consented to the use of this information in this prospectus. This information has not been verified by the Company.

and secondary copper sulphide zones and encountered strong primary copper sulphide and gold mineralisation at depth.

The majority of Ivanhoe Australia's drilling at the Swan zone in 2006 focused on expanding the known mineralisation at depth along strike to the north. This drilling, which involved 12 diamond holes totalling 6,083 metres, demonstrated that the copper and gold mineralisation discovered in the 2004 program could be traced for at least another 400 metres to the north. The results from this drilling program have been interpreted as steeply dipping pipe-like zones of copper sulphide mineralisation, from which the near-surface secondary mineralisation has developed.

As at 30 June 2008, Ivanhoe had completed 125 holes totalling 94.6 kilometres. Recent drilling has focussed on exploring for a link between the Mount Elliott, Swell and Swan zones at depth and to the north and on infill drilling prior to resource estimation. The mineralisation encountered thus far at Mount Elliott is open to the north at depth and to the west.

The discovery holes for the deeper Mount Elliott system were MEHQ 1095, which intersected 290 metres averaging 0.74% copper and 0.62 g/t gold and MEHQ 1130, which included an intersection of 81.2 metres averaging 1.71% copper and 0.90 g/t gold. As at 30 June 2008, the most recent assayed result available from the current drilling program was hole MEHQ1166, which intersected 514 metres at 0.64% copper and 0.41 g/t gold including 3 intervals of higher grade.

The significant results (as at 30 June 2008) from Ivanhoe Australia's drilling programs are presented in Table 3.1.

Ivanhoe Australia's exploration has now defined a large zone of mineralisation over one square kilometre in area and to a depth of more than 1,200 metres at the Swan zone.

Table 3.1 – Significant Drill Results at Mount Elliott as at 30 June 2008 (0.25%Cu equivalent cut-off')

Hole No.	Intercept (m)	From (m)	Cu (%)	Au (g/t)	U ₃ O ₈ (ppm)
MEHQ 1068	172.4	8.0	0.88	0.55	N/A
MEHQ 1069	117.0	45.0	1.06	0.72	N/A
and	28.0	176.0	0.71	0.46	
MEHQ 1073	164.0	105.0	0.93	0.48	N/A
MEHQ 1089	182.0	183.0	0.62	0.32	46
MEHQ 1093	123.0	207.0	0.80	0.55	45
MEHQ 1095	33.0	175.0	0.40	0.25	39
and	290.0	230.0	0.74	0.62	75
MEHQ 1096	145.0	401.0	0.68	0.43	31
MEHQ 1099	302.0	278.0	0.77	0.51	23
MEHQ 1100	21.0	116.0	0.51	0.33	40
and	16.0	156.0	1.00	0.13	17
MEHQ 1104	166.0	394.0	0.31	0.22	40
MEHQ 1106	180.0	498.0	0.86	0.52	11
and	44.0	726.0	0.53	0.37	20
MEHQ 1107	112.0	687.0	0.64	0.39	38
and	80.0	810.0	0.74	0.46	46
MEHQ 1108	149.0	12.0	0.58	0.35	34
and	69.0	222.0	0.61	0.39	53
MEHQ 1109	530.0	679.0	0.38	0.22	13
MEHQ 1110	93.0	7.0	0.53	0.05	N/A

MEHQ 1111	138.0	342.0	0.55	0.39	42
MEHQ 1113	63.0	241.0	0.67	0.38	78
and	71.0	718.0	0.91	0.57	73
includes	19.0	724.0	1.50	0.96	105
MEHQ 1113a	33.0	919.0	1.28	0.75	190
MEHQ 1115	67.0	569.0	0.88	0.51	N/A
and	13.0	618.0	1.08	0.57	
and	41.0	1147.0	0.61	0.31	N/A
MEHQ 1120	44.0	1274.0	0.93	0.55	108
MEHQ 1125	104.0	8.0	0.61	0.26	26
MEHQ 1129	108.0	358.0	0.82	0.33	128
includes	54.0	358.0	1.21	0.51	162
MEHQ 1130	5.5	582.0	6.39	7.58	N/A
and	81.2	590.8	1.71	0.90	N/A
includes	45.2	591.0	2.69	1.29	N/A
includes	13.2	591.0	6.57	2.70	N/A
and	54.0	914.0	0.65	0.21	N/A
and	134.0	978.0	0.62	0.32	87
MEHQ 1130a	102.6	583.4	1.44	1.03	23
MEHQ 1130b	50.0	612.0	1.67	1.29	8
and	88.0	814.0	0.47	0.22	13
includes	10.0	882.0	1.30	0.60	14
MEHQ 1131	124.0	830.0	0.67	0.37	55
MEHQ 1132	48.0	188.0	0.53	0.25	1
MEHQ 1133	20.0	696.0	0.35	0.17	118
MEHQ 1134	34.0	390.0	0.58	0.20	5
and	30.0	474.0	0.40	0.19	50
and	82.0	720.0	0.82	0.43	24
and	36.0	840.0	0.27	0.13	19
MEHQ 1135	12.0	138.0	0.51	0.24	15
and	108.0	924.0	0.37	0.20	73
MEHQ 1136	20.0	310.0	0.45	0.21	18
and	32.0	396.0	0.37	0.17	19
MEHQ 1138	24.0	650.0	0.29	0.16	8
MEHQ 1140	112.0	466.0	0.41	0.18	15
and	66.0	800.0	0.25	0.10	92
MEHQ 1143	104.0	648.0	0.84	0.47	26
includes	18.0	708.0	1.13	0.55	0
and	144.0	764.0	1.17	0.66	76
MEHQ 1144	152.0	822.0	0.32	0.15	51
and	140.0	986.0	0.42	0.24	42
and	22.0	1092.0	0.87	0.5	66
and	8.0	1218.0	0.59	0.3	6
MEHQ 1157	286.0	160.0	0.62	0.43	47
and	30.0	458.0	0.42	0.30	24
MEHQ 1158	110.0	186.0	0.73	0.44	81
and	58.0	378.0	0.66	0.41	32
and	206.0	460.0	0.52	0.30	32
and	42.0	778.0	0.25	0.12	50

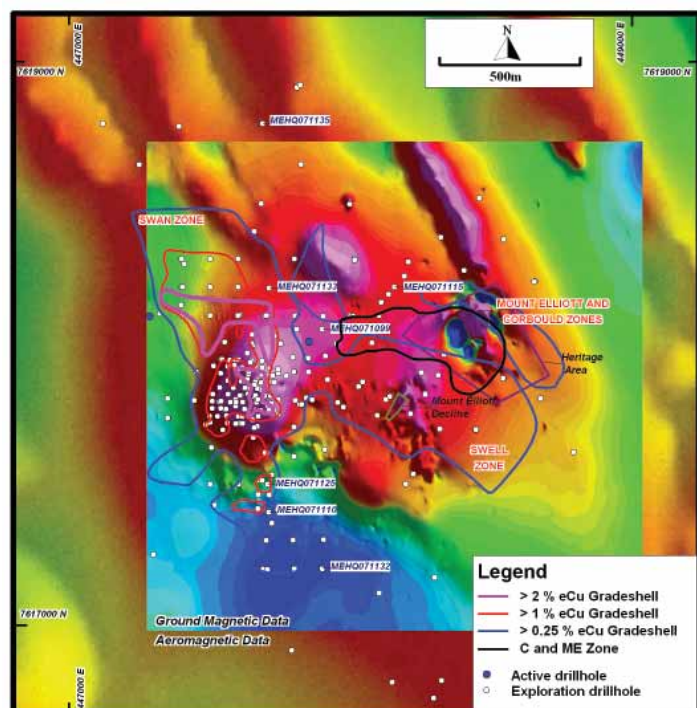
MEQ 1163	136.0	418.0	1.53	0.99	7
and	52.0	570.0	0.83	0.59	12
including	38.0	570.0	1.04	0.70	13
and	150.0	640.0	0.42	0.29	17
including	34.0	662.0	0.95	0.80	14
and	8.6	868.0	1.40	0.71	10
MEQ 1163a	150.0	870.0	0.71	0.37	45
including	12.0	1008.0	1.48	0.84	35
MEQ 1164	46.0	618.0	1.70	1.01	98
and	62.0	678.0	0.85	0.48	23
including	32.0	682.0	1.31	0.76	31
and	6.0	762.0	0.34	0.27	4
MEQ 1166	514.0	260.0	0.64	0.41	35
including	96.0	444.0	0.84	0.56	6
as well as	42.0	552.0	0.87	0.53	6
as well as	24.0	718.0	0.82	0.59	119
and	62.0	852.0	0.43	0.25	53
including	6.0	902.0	0.98	0.66	63
MEQ 1167a	22.0	454.0	0.34	0.15	45
and	54.0	536.0	1.32	0.78	71
and	67.9	638.0	0.62	0.36	29
MEQ1167b	128.0	452.0	1.47	0.79	58
and	160.0	660.0	0.56	0.28	27
MEQ 1173	296.0	652.0	0.55	0.27	178
and	125.0	960.0	0.66	0.35	148

Source: Ivanhoe Australia

1 Copper percentage equivalent is defined as $0.4 \times \text{Au g/t} + \% \text{Cu}$

Note: All intervals are downhole intercepts. Due to the pipe like geometry of the Swan zone true width estimates are not meaningful and therefore have not been estimated for the above intercepts.

Figure 3.3 – Mount Elliott Drill Holes and Magnetics Survey Results



Source: Ivanhoe Australia

As at 30 June 2008, there were in total, 1,846 plus 0.25% copper equivalent intersections at Mount Elliott, including intersections that are within the Mount Elliott mine and may now partly fall within mined areas. The full table of these intersections, including supporting long sections, cross sections and plans, is incorporated by reference into this Prospectus under subsection 712(3) of the Corporations Act. You have the right to obtain a copy of the table free of charge and may do so by contacting the Ivanhoe Australia Offer Information Line on 1300 301 687 (within Australia) or +61 3 9415 4294 (from outside Australia) or by visiting Ivanhoe Australia's website, <http://www.ivanhoeaustralia.com/s/Prospectus.asp> (no website information, other than what is specifically indicated herein, is incorporated in this Prospectus). You should consider the information discussed in this Prospectus about the exploration results for the Mount Elliott project in order to help you decide whether to obtain a copy of the table. The information presented in the table includes: drill-hole number, intercept depths and values for copper and gold where known, as well as coordinate data for the midpoints of the intercepts. The table also indicates the number of holes (with intersections) known at each prospect. The information in the table will be primarily of interest to professional analysts or advisers or investors with similar specialist information needs.

Initially, samples from the Swan zone above 0.75% copper were assayed for uranium and demonstrated a significant presence of uranium sporadically associated with the copper-gold mineralisation. Uranium assays for MEHQ 1095 include 2 one metre intersections of 1,651 ppm U_3O_8 from 254 to 255 metres, and 2,594 ppm U_3O_8 from 262 to 263 metres.

Magnetic, gravity and induced polarisation surveys have also been conducted over the Mount Elliott project and surrounding prospects as part of the ongoing exploration program. Figure 3.3 plots drill holes commissioned by Ivanhoe Australia on the magnetic results. The outlines of the Swan, Mount Elliott, Swell and Corbould zones demonstrate the relationship between the magnetic features in relation to the mineralisation and highlight the opportunities for future drilling. Future target areas derived from magnetic and gravity surveys open up large areas for further drilling. More recently hole NLDH001 intersected similar mineralisation and alteration some 3 kilometres northwest of Mount Elliott.

Vertical in-fill drilling has commenced at Mount Elliott concentrating on the Swan zone with the aim of testing and confirming the continuity of the known mineralisation first on 100 metre centres and then 50 metre centres with both programs commencing over the highest-grade central portion of the known mineralisation. A reverse circulation percussion program is planned for the shallow portion of the Swan zone but is not considered critical for preliminary studies, though would be required to set the limits of a potential open pit mine. It is envisaged that the 100 metre in-fill program will allow a robust mineral resource to be estimated and preliminary mine planning to commence to investigate the potential development options for the Swan zone mineralisation.

As at 30 June 2008, 27 holes including 6 wedges or redrills have been completed and 2 holes are in progress. Assay results are only complete for 15 holes and some of these that are available as at 30 June 2008 are shown in Table 3.1 above from hole MEQ1158 onwards.

Metallurgical testing of the various styles of mineralisation has commenced but has not yet been completed. It is building on the results of testing programs going back 32 years for the Swan zone. The main Mount Elliott zone mineralisation has extensive test results available and, more importantly, treatment records from the ore treatment period between 1993 and 2003.

In addition, exploration drilling on the Mount Elliott zone at depth and the Swell zone has been undertaken and the results of this work will be factored into any mine plans. Further exploration in the immediate Mount Elliott area is planned to expand the known zones of mineralisation once in-fill drilling is complete.

Figures 3.4 and 3.5 show the schematic long and cross section diagrams of the mineralisation interpreted at the Swan zone using the results available to 30 June 2008. The diagrams highlight the size of the potential deposit, with a large area of mineralisation over one square kilometre in area and to a depth of more than 1,200m. The Swan, Swell, Corbould and Mount Elliot zones are part of a large mineralised IOCG system, known as the Mount Elliott mineralised system.

The near surface mineralisation at the Swan zone has been deeply weathered and oxidised resulting in a vertical zonation consisting of an oxide zone to a depth of about 60 metres below surface and an underlying transition zone extending to a depth of up to 150 metres below surface. Treatment of any ore from this portion of the deposit would require different treatment routes to the deeper primary copper/gold ores. Options may exist to take some ore from this portion of the deposit to the envisaged Mount Dore heap leach SXEW facility 20 kilometres to the south or to the new concentrator at Starra. Such options could be used prior to the construction of a large concentrator required to treat the bulk of the Mount Elliott primary ores. It is expected that this near surface mineralisation would be mined during any pre-striping operations of any potential Mount Elliott open pit which would mine the 4 mineralisation zones currently known at Mount Elliott.

Investigations have also commenced into the viability of reopening the Mount Elliott decline (tunnel) to gain underground access to the Swan

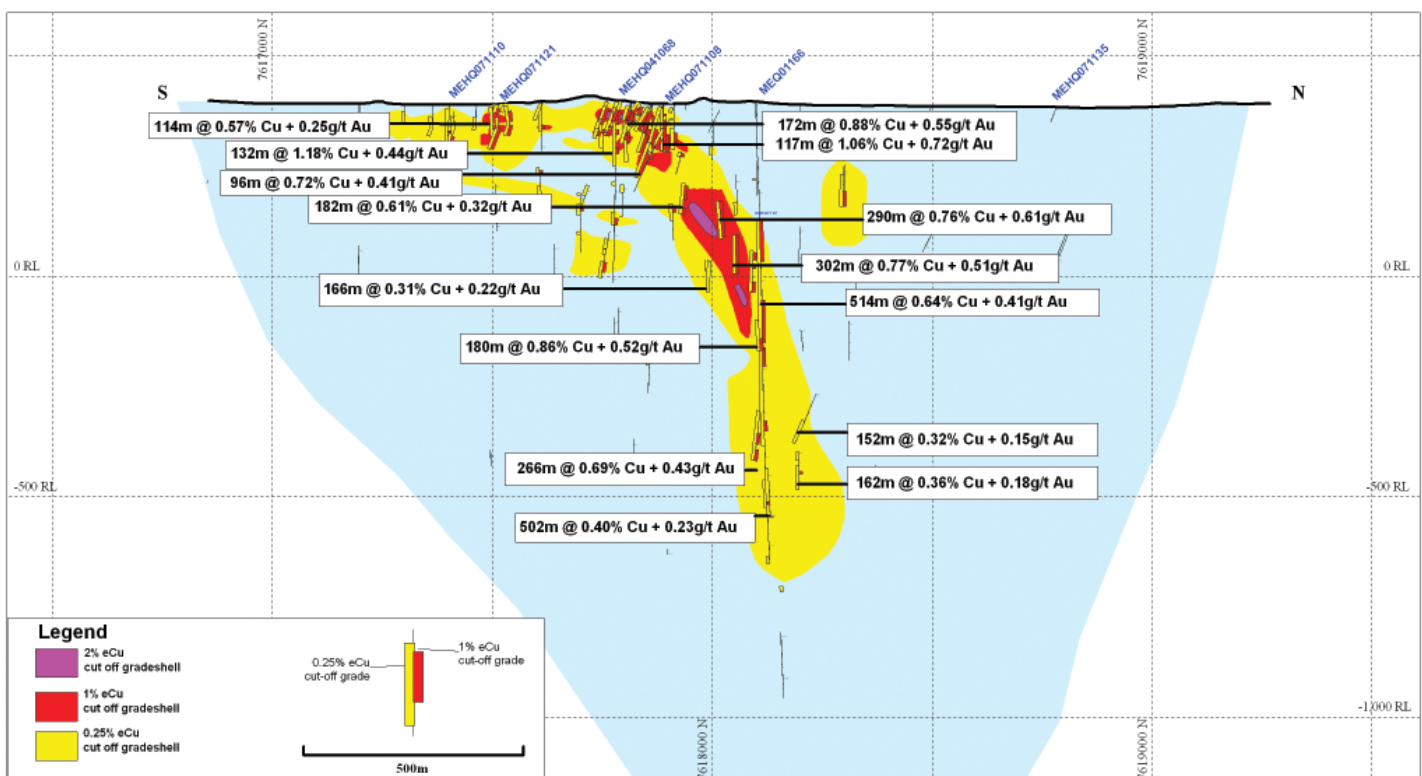
zone for detailed underground drilling and metallurgical sampling during year 2 of the current budget. The Mount Elliott decline could also be used to establish the initial development openings required for a large underground mine, prior to the installation of large scale haulage and access systems, which given the depth of the mineralisation, would most likely include a haulage shaft and support decline.

Ivanhoe Australia will use a significant part of the Offer Proceeds to fund an exploration program designed to discover new mineral zones in the greater Mount Elliott project area, in addition to the in-fill drilling to provide greater definition of the currently defined Mount Elliott mineralised system. Refer to Section 3.5 of this Prospectus for details of the planned exploration expenditure.

There is potential in the present 2 year budgeted amount that a Pre-Feasibility Study may commence on the Mount Elliott project given the extent of the mineralised zone currently identified. This would involve a substantial work-plan to investigate the various mining options and methods, metallurgical testwork, preliminary engineering studies, site infrastructure and regional infrastructure. Additional resource definition drilling could also form part of this work-plan.

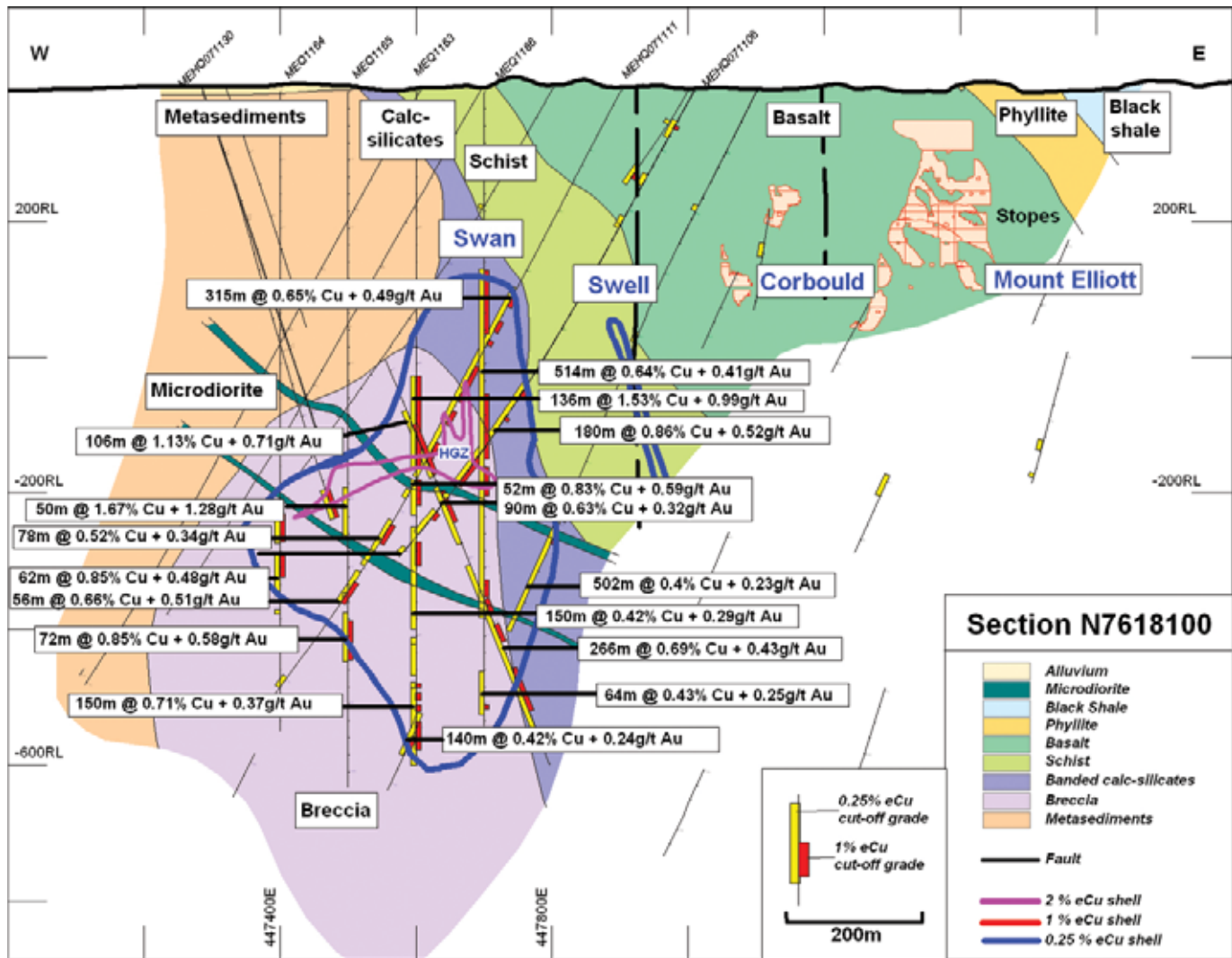
The size of the mineralised system, defined by pre-Ivanhoe Australia drilling and mining and Ivanhoe Australia's drilling program, is estimated to be between 300-400 million tonnes contained within a grade shell defined using a 0.25% copper equivalent cut-off. Resource tonnages and grades, when estimated, will depend on the eventual cut-off grades adopted for the various types of mineralisation discovered and the bulk density assigned to each mineralisation type as there is considerable variation due to the magnetite content of the mineralisation.

Figure 3.4 – Schematic Cross Section of Swan zone (447,700mE line)



Source: Ivanhoe Australia

Figure 3.5 – Schematic Cross Section of the Mount Elliott project (7,618,100mN line)



Source: Ivanhoe Australia

3.3.2 Mount Dore Project

The Mount Dore project is situated within the meta-sedimentary rocks of the Proterozoic Kuridala Formation to the west of and below the Mount Dore granite body shown in Figure 3.6 and Figure 3.8. High grade surface-enriched copper was mined from Mount Dore in the early 1900's, however, total recorded production to 1961 was only 5.9 tonnes of copper. Diamond drilling in 1957 showed the copper mineralisation to extend at depth, with hole DDH-06 intersecting 8.8 metres at 1.3% Cu from 49.7 metres. Exploration undertaken from 1975 extended the known mineralisation.

Mount Dore is predominantly a secondary copper deposit within the Kuridala Formation. Copper-dominant mineralisation dips to the east beneath the Mount Dore granite body in a zone of about 180 metres true thickness and mineralisation is considered to be open to the north where diamond drill holes have discovered primary copper sulphide ores, with potential zinc silver, gold and molybdenum credits. This material would need to be processed through a conventional concentrator. Figure 3.7 presents 2 cross sections displaying the dipping mineralised zone interpreted at Mount Dore using the results available to 30 June 2008.

Surface oxidation of the primary sulphides produced overlapping zones of copper rich minerals dominated by a suite of secondary copper sulphide and copper oxide minerals, as well as native (metallic) copper.

The supergene process at Mount Dore involves the conversion of the primary copper and other sulphides to predominately chalcocite followed by further oxidation to produce chrysocolla, native copper, cuprite and pseudomalachite.

Table 3.2 below details significant historical drill intercepts from Mount Dore.

Table 3.2 Significant Historical Drill Results at Mount Dore (0.25%Cu cut-off)

Hole No	Intercept (m)	From (m)	Cu %
MDAT-1	20.0	0.0	1.09
MDAT-34	20.0	0.0	2.22
MDRC4	50.0	8.0	0.87
MDRC17	22.0	60.0	2.05
MDRC18	8.0	60.0	1.32
and	34.0	98.0	0.45
SMD-76-6	35.5	128.0	1.36
SHQ-76-13	30.0	51.0	1.93
and	16.0	101.0	1.64
and	25.0	129.0	0.36

SHQ-77-16	11.2	99.0	5.10
and	72.0	120.5	0.84
and	61.0	201.2	0.86
SHQ-77-17	114.5	65.5	1.27
and	10.5	193.0	0.89
SHQ-77-21	111.6	143.4	1.58
and	11.9	265.8	0.31
and	53.9	292.6	1.82
and	74.0	378.0	0.27
SHQ-77-30	104.0	172.0	2.31
and	30.0	306.0	0.32
SHQ-78-32	104.0	194.0	0.66
MDWB-89-1	6.0	120.0	0.37
and	96.0	140.0	1.16
MDQ-89-42	11.1	84.0	2.59
and	14.0	160.0	0.38
and	71.85	184.15	0.99
MDQ-89-43	112.9	110.0	1.27
and	28.35	261.65	1.36

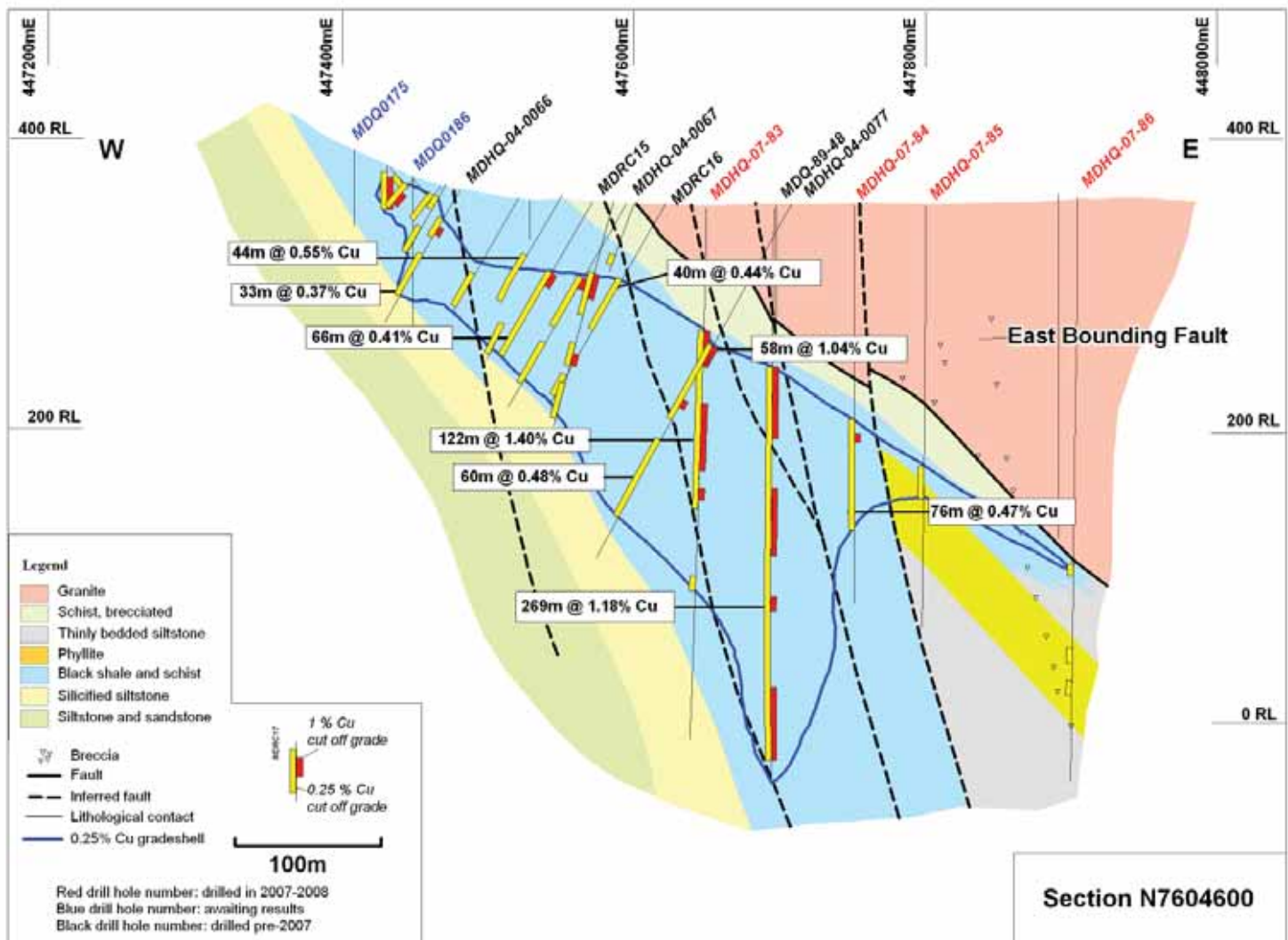
MDQ-89-48	269.4	108.6	1.18
MDQ-93-53	85.0	179.0	1.21
and	7.0	276.0	0.65
MDQ-99-59	9.0	44.0	1.09
and	91.0	79.0	0.66
and	60.0	190.0	0.75
MDHQ-04-0067	39.0	59.0	1.12
and	32.0	111.0	0.36
MDHQ-04-0075	91.0	92.0	0.71
and	36.0	196.0	0.76

Source: Ivanhoe Australia

Drill spacing at depth from the historic drilling is too broad to consistently track the location of the higher grade mineralised zones such that in the past resources have been estimated within a grade shell at a cut-off grade of 0.2% Cu. To advance Mount Dore, the drill spacing has been closed up with step outs of between 50 metres and 100 metres down dip and across strike from the highest grade existing holes.

A diamond drilling program over the secondary copper zone and the northern primary copper zone at Mount Dore commenced in late 2007. As at 30 June 2008 a total of 28 diamond holes had been completed

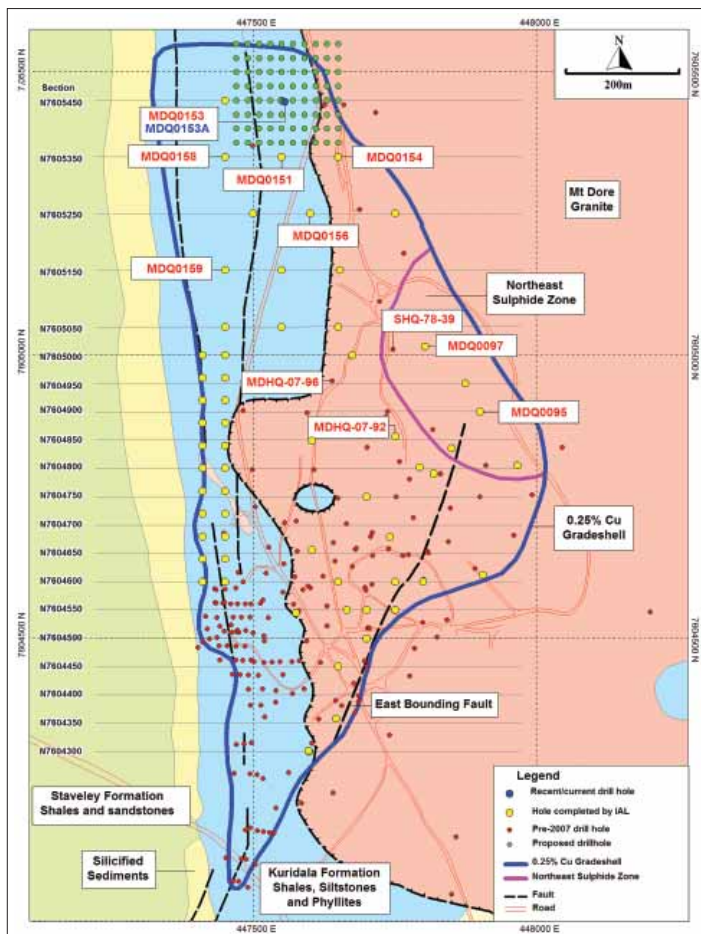
Figure 3.6 Cross sections of the Mount Dore Project (7,604,600mN)



Source: Ivanhoe Australia
 Note to Figure: Sections contain new drill holes shown with red hole names

As at 30 June 2008, there were in total, 318 plus 0.25% copper intersections at Mount Dore. The full table of these intersections, including supporting long sections, cross sections and plans, is incorporated by reference into this Prospectus under subsection 712(3) of the Corporations Act. You have the right to obtain a copy of the table free of charge and may do so by contacting the Ivanhoe Australia Offer Information Line on 1300 301 687 (within Australia) or +61 3 9415 4294 (from outside Australia) or by visiting Ivanhoe Australia's website, <http://www.ivanhoeaustralia.com/s/Prospectus.asp> (no website information, other than what is specifically indicated herein, is incorporated in this Prospectus). You should consider the information discussed in this Prospectus about the exploration results for the Mount Dore project in order to help you decide whether to obtain a copy of the table. The information presented in the table includes: drill-hole number, intercept depths and values for copper, gold, silver, lead, zinc, cobalt and molybdenum where known, as well as coordinate data for the midpoints of the intercepts. The table also indicates the number of holes (with intersections) known at each prospect. The information in the table will be primarily of interest to professional analysts or advisers or investors with similar specialist information needs.

Figure 3.8: Mount Dore Project Drill Status Plan as at 30 June 2008



Source: Ivanhoe Australia

With a portion of the Offer Proceeds, Ivanhoe Australia plans to commission a scoping study to investigate the economics of developing the Mount Dore project as an open pit mine producing 25,000 tonnes per year of cathode copper using heap leach and SXEW technology for the recovery of copper.

The most recent scoping study on Mount Dore was conducted before Ivanhoe Australia acquired its Cloncurry Project interests and assessed the feasibility of developing the deposit. This study investigated the option of developing a SXEW project producing 15,000 tonnes per year of copper cathodes from the oxide portion of the deposit followed by treatment of the chalcocite rich sulphide ore through spare capacity at the Starra Line flotation plant. The study concluded that the Mount Dore drilling database was inadequate for defining a development strategy at that stage and recommended additional work to be performed, including further metallurgical testing to define the process criteria and the preferred route for treatment of the Mount Dore sulphide ore containing chalcocite. Further metallurgical testing did take place after this study, prior to Ivanhoe Australia purchasing the project. This involved 6 large diameter (150 millimetre) column leach tests which showed high recoveries of copper from oxide and sulphide ores through acid and bacterial leaching. The results of this test program showed that copper recoveries of between 76.5% on a 25 millimetre crush size and 87.5% on a 12.5 millimetre crush size were achieved after 101 days of leaching. Additional metallurgical testing is expected to be conducted during Ivanhoe Australia's planned Mount Dore scoping study.

Ivanhoe Australia has almost completed a detailed in-fill drilling program to define the leachable portion of the Mount Dore mineralisation such that the data should be adequate to define a development strategy.

The exploration target potential for Mount Dore of between 50 and 80 million tonnes is contained within a grade shell at a cut-off of 0.25% Cu based on all drilling results available to 30 June 2008.

An additional 45 diamond drill holes have now been completed by Ivanhoe Australia since 2004 bringing the total to 104 diamond drillholes. Ivanhoe Australia has also partly completed a reverse circulation drilling program up dip and to the north of the known Mount Dore mineralisation. Assay results of all this drilling is not complete however the northern-most hole drilled, MDQ0153, intersected shallow high grade copper and deeper high grade molybdenum mineralisation, as shown in Table 3.4. Deeper diamond drilling north-east of the main secondary copper body at Mount Dore has found significant primary copper, zinc and silver, mineralisation at depth. As at 30 June 2008, results are available for MDQ0097, one of the three deeper holes recently completed in this area east of SHQ-78-39.

Resource estimation has commenced for Mount Dore with investigations into the parameters to use for the estimation, the data cut-off date for this estimate has been set at 30 June 2008 and the estimate is expected to be completed during August 2008.

3.3.3 Starra Line Project

The Starra Line project is the host to 5 high-grade gold-copper orebodies on which a series of open pit and underground mines were developed by previous project owners (including the 222, 244, 251, 257 and 276 deposits). The host magnetite-rich ironstones occur as a prominent ridge over a north-south strike distance in excess of 8 kilometres before being obscured by younger sediments to the south.

The deeper exploration drilling along the Starra Line was conducted by previous owners and was limited to testing the potential immediate depth extensions of the known deposits. In general, the full strike extent of the Starra Line has only been investigated by wide spaced drilling (except in the areas of the known deposits) to a vertical depth of approximately 200-250 metres below surface.

The only deep drilling undertaken consisted of a very limited program by previous tenement holders. Of the 4 holes drilled, 3 are now considered by Ivanhoe Australia to be south of the plunge projection of the known mineralisation in the 222, 244, 251, 257 and 276 deposits. Although the overall results of this limited deep drilling program failed to extend the economic depth of the known deposits, one very high grade intercept provides encouragement that high grade deposits could occur at depth along the Starra Line.

The northern-most 276 deposit remains open at depth down plunge to the south while the 222 deposit mineralisation is open at depth to the north. Intersections for the 276 deposit are shown in Table 3.5 and for 222, Table 3.6.

Ivanhoe Australia has not re-estimated the resources available on the Starra Line to date. Resource estimation is underway and is expected to be completed during August 2008.

In light of the improved metal prices since closure of the mines, current development studies are focussing on the re-evaluation of the 2003 resource models, but using a lower cut-off grade to select potential mining blocks. Previous mining concentrated on extracting thin high-grade zones within thick mineralised ironstone rocks. Previous drilling is also being reviewed in order to understand the relationship between mineralisation and ironstones in order to guide interpretation of previous drilling and to plan future drill programs. As stated above there is an excellent potential to extend the currently defined mineralisation zones.

The exploration target potential for Starra Line is between 20-30 million tonnes within a 0.5% copper equivalent grade shell. Ivanhoe is re-estimating the Starra Line mineral resources using this lower copper equivalent cut-off grade, and no further drilling is planned prior to this estimation being completed. Planned extensional drilling will aim to increase the depth of the known mineralisation.

Table 3.5 Selected Significant Intersections Starra 276 deposit (0.5% Cu equivalent cut-off¹)

Hole No.	Intercept (m)	True width (m)	From (m)	Cu %	Au g/t	Section N
STQ-97-754	23.0	13.71	402.0	0.99	0.39	4200
STQ-90-342	29.0	14.50	464.0	1.35	0.57	4200
STQ-97-777	8.0	5.76	341.0	0.61	0.26	4225
STQ-95-670	11.0	5.91	435.0	1.41	0.85	4225
STQ-98-807	76.0	45.47	384.0	0.54	0.49	4250
STQ-94-554	52.2	35.77	518.2	1.19	1.53	4250
STQ-98-793A	53.0	36.13	335.0	0.97	0.58	4275
STQ-95-606	65.2	27.10	382.1	0.81	0.27	4275
STQ-95-665	36.0	21.20	500.0	2.76	1.64	4275
STQ-95-667A	48.0	32.42	442.0	1.22	0.27	4275
STQ-97-741	28.0	20.89	268.0	0.47	1.56	4300
STQ-95-654	44.0	29.88	301.0	1.09	0.38	4300
STQ-95-655	50.9	31.00	311.0	0.66	0.58	4300

Source: Ivanhoe Australia

¹ The intersections in the table above are the deepest holes drilled to the south and are ordered from south to north over a 100 metre strike length of the unmined portion of the 276 mineralised deposit.

In total there are 275 intersections into the 276 deposit.

Table 3.6 Selected Significant Intersections Starra 222 deposit (0.5% Cu equivalent cut-off²)

Hole No.	Intercept (m)	True width (m)	From (m)	Cu %	Au g/t	Section N
STQ-92-468	97.0	73.06	160.0	0.46	0.54	9175
STQ-93-437 ³	35.0	22.19	35.0	0.72	0.75	9175
STQ-94-545	21.0	16.10	286.0	0.78	0.31	9175
STQ-92-467	10.4	6.79	223.6	0.38	1.11	9225
STQ-92-467	37.0	24.14	250.0	0.75	0.98	9225
STQ-92-467	13.0	8.48	298.0	0.89	0.19	9225
STQ-91-392 ³	29.2	24.44	196.4	0.98	2.42	9250
STQ-92-460 ³	55.0	45.58	183.5	0.42	1.59	9250
STQ-92-460	17.0	14.09	252.0	1.38	0.24	9250
STQ-94-542	35.0	20.20	275.0	0.52	1.15	9275
STQ-94-542	25.2	15.43	321.0	1.22	1.14	9275
STQ-94-556	30.0	19.96	258.0	1.25	3.64	9275
STQ-92-459	25.0	16.91	235.0	1.38	3.59	9275
STQ-85-125	12.0	8.63	227.0	0.45	2.59	9275

Source: Ivanhoe Australia

² The intersections in the table above are the deepest holes drilled to the north and at depth beneath the mined section of the 222 deposit and are ordered from south to north over a 100m strike length of the 222 mineralised deposit.

³ A 5m wide stope has been mined through these holes on the highest gold grade sections.

In total there are 306 intersections into the 222 deposit.

As at 30 June 2008, there were in total, 1,181 plus 0.50% copper equivalent intersections at the Starra Line, including intersections that may now partly fall within mined areas. The full table of these intersections, including supporting long sections, cross sections and plans, is incorporated by reference into this Prospectus under subsection 712(3) of the Corporations Act and is available by contacting the Ivanhoe Australia Offer Information Line on 1300 301 687 (within Australia) or +61 3 9415 4294 (from outside Australia) or by visiting Ivanhoe Australia's website, <http://www.ivanhoeaustralia.com/s/Prospectus.asp> (no website information, other than what is specifically indicated herein, is incorporated in this Prospectus). You should consider the information discussed in this Prospectus about the exploration results for the Starra Line project in order to help you decide whether to obtain a copy of the table. The information presented in the table includes: drill-hole number, intercept depths and values for copper and gold where known, as well as coordinate data for the midpoints of the intercepts. The table also indicates the number of holes (with intersections) known at each prospect. The information in the table will be primarily of interest to professional analysts or advisers or investors with similar specialist information needs.

Ivanhoe Australia has also budgeted for exploration to re-commence on the Starra Line to investigate the potential for IOCG deposits not only at depth but also along strike. Re-interpretation of the detailed aeromagnetic data and numerous zones of anomalous geochemistry in shallow drilling, show the potential for other shoots of mineralisation to exist at depth.

For example, recent re-interpretation of the detailed aeromagnetic data by Ivanhoe Australia has shown that the highly magnetic prominent ironstone ridge tested by shallow drilling to the south is west of the mineralised ironstone mined in the 222 deposit, the southern most known ironstone hosted orebody on the IAL Tenements. This subtle magnetic signature of the southern extension of mineralised ironstones presents an immediate exploration target.

3.4. Tenements under explored at depth

Ivanhoe Australia believes that the best approach of delineating additional IOCG deposits is to target greater depths than previous exploration programs.

Apart from some deeper drilling below Mount Elliott and some of the Starra Line deposits, exploration on the tenements within the Cloncurry Project prior to 2003 comprised shallow drilling generally to a maximum of 400 metres (apart from 16 deeper holes) with the average drilling only to around 230 metres. Given the prevailing metal prices at the time, previous explorers were required to find deposits of higher grade than explored for at present and did not target deeper deposits.

These limitations have left many prospects under explored at depth. Additional targets may be generated based on geophysical techniques.

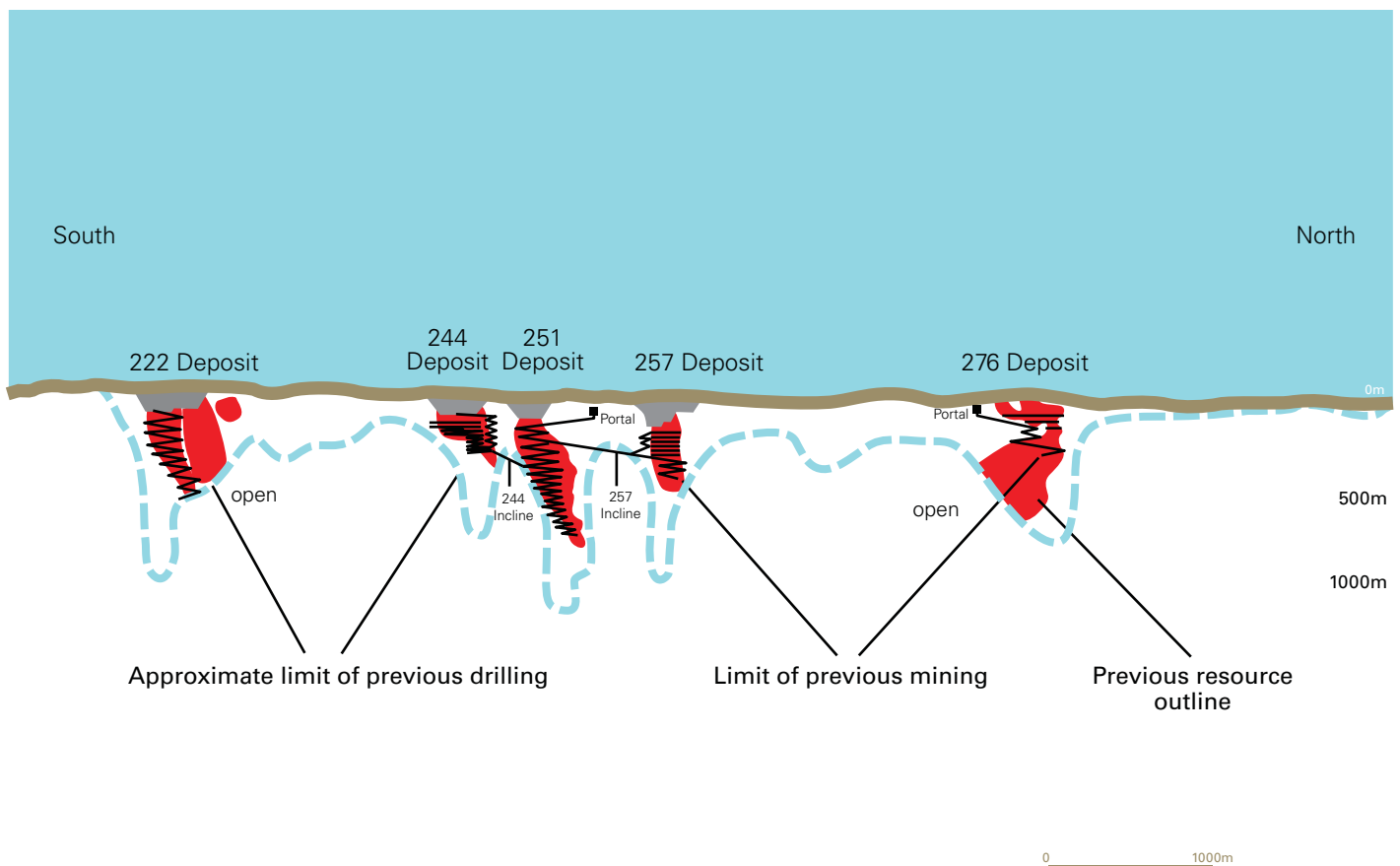
Ivanhoe Australia's strategy therefore incorporates a systematic and long term view to exploration in the district and the company is prepared to systematically drill to depths of around 1,000 to 1,500 metres on the right targets, with the primary objective of discovering large IOCG style orebodies. Given the wide range of orebody types in the Mount Isa Inlier, other large deposit types may also be discovered.

3.5. Aggressive drilling strategy underway

Ivanhoe Australia's exploration program commenced in August 2004 on the partially drilled copper-gold targets at the Mount Elliott project and the secondary copper target at the Mount Dore project, followed by exploratory geophysical surveys and drilling at Metal Ridge and Amethyst Castle. Encouraging results from the Swan zone at the Mount Elliott project has led to Ivanhoe Australia instigating an intensive drilling program at Mount Elliott designed to test mineralisation which demonstrates a style similar to the Ernest Henry Mine, owned by Xstrata, to the north of the Cloncurry Project, and the Osborne Mine, owned by Barrick, to the south.

Since acquiring the tenements in 2003, up to the date of this Prospectus, Ivanhoe Australia has spent in excess of \$48 million undertaking exploration activities, expanding known areas of mineralisation, and generating new targets. These activities have significantly expanded the known area of copper-gold (with minor uranium) mineralisation at the Mount Elliott project and confirmed the secondary copper mineralisation at the Mount Dore project. A detailed drill-out on both projects commenced in 2007, with that on the Swan zone at Mount Elliott due to be completed in December 2008 and that at Mount Dore due for completion in June 2008. Ivanhoe Australia is now seeking to accelerate its exploration and development studies through the use of a portion of the Offer Proceeds.

Figure 3.9: Long section of previously mined Starra Line



Starting in July 2008, Ivanhoe Australia expects to commence a 2 year exploration program and budget which is summarised in Table 3.7 below. The Mount Dore scoping study is expected to commence upon receiving board approval post the Offer and is expected to be completed within 3 months.

Table 3.7 – Exploration and Development Budget Summary¹ (\$000)

	Year 1	Year 2 ²	Total
Mount Elliott project			
Definition Drilling	\$12,670		\$12,670
Development		\$7,802	\$7,802
Studies	\$786	\$6,500	\$7,286
Exploration	\$2,050	\$2,000	\$4,050
Sub-total	\$15,506	\$16,302	\$31,808
Mount Dore project			
Definition Drilling	\$1,569	\$2,500	\$4,069
Scoping/Feasibility Study	\$2,470		\$2,470
Exploration	\$2,000	\$2,000	\$4,000
Sub-total	\$6,039	\$4,500	\$10,539
Starra Line project			
Definition Drilling	\$1,000	\$2,000	\$3,000
Scoping/Feasibility Study	\$2,000		\$2,000
Exploration	\$1,500	\$2,000	\$3,500
Sub-total	4,500	\$4,000	\$8,500
Other exploration			
Uranium – exploration	\$2,050	\$2,200	\$4,250
Other gold, copper, exploration	\$6,150	\$10,150	\$16,300
Sub-total	\$8,200	\$12,350	\$20,550
Exploration total	\$13,750	\$18,350	\$32,100
Development total	\$20,495	\$18,802	\$39,297
TOTAL	\$34,245	\$37,152	\$71,397

Source: Ivanhoe Australia

¹ Year 1 and Year 2 refer to the time period following the receipt of the Offer Proceeds in July 2008

² The Year 2 budget represents management's current best assumptions and estimates because actual exploration and development activities and expenditure will be dependent on the outcome of Year 1 exploration and development programs. Accordingly, this exploration and development budget summary should be read together with the information contained in Section 5 "Risk Factors" in this Prospectus.

Whilst the program outlines Ivanhoe Australia's current intentions with regard to each of its projects, the actual expenditure and exploration work undertaken will depend on the results generated. The priority of the prospects, and accordingly expenditure, may be redirected as results are obtained, and therefore actual expenditure may differ materially from budgeted expenditure presented in Table 3.7.

The current exploration and development program seeks to: aggressively explore and evaluate both the higher priority IOCG targets, particularly Mount Elliott and Starra Line; advance the Mount Dore project through a staged study phase potentially towards a heap leach SXEW operation; actively assess the Cloncurry Project's potential to host uranium-dominant deposits; and investigate other gold and gold copper prospects.

Results from the in-fill program will allow the estimation of mineral resources that will form the basis for more detailed studies. These studies include detailed metallurgical test programs, which have commenced, and capital and operating cost estimates on various mining and treatment options. Studies will commence on Mount Elliott during year 1 and continue through year 2, while studies have commenced on the Starra Line and the Mount Dore projects.

The exploration program and budget also incorporates a broader regional exploration program that will initially focus drilling on known IOCG, secondary copper and gold-copper sulphide targets including the Starra Line, Flora and Busker due north of Mount Dore, Metal Ridge, Lady Ella, Amethyst Castle, Mount Cobalt and Kuridala prospects (see Section 3.6). A recent review of aircore drilling results and rock-chip data has produced further exploration targets. First pass drilling is planned for some of the identified uranium prospects in the northern tenements.

On the Exco JV Tenements the Farley prospect may be drilled within the first year of the exploration program, as part of the broader mapping, geophysical and geochemical programmes being carried out on the joint venture tenements. Diamond drilling on the Wewak prospect within the Exco JV area commenced in April 2008. Air-core drilling on buried targets will commence in June 2008.

Table 3 in the Independent Geologist's Summary Report (Section 6 of this Prospectus) provides further detail of the current exploration and development program and budget. Upon completion of the Offer, Ivanhoe Australia expects that it will have enough working capital to carry out its objectives as stated in this Section 3.5 (being its current exploration and development program). In the event that Ivanhoe Australia's Board of Directors resolves to vary the current exploration or development program, or seeks to develop opportunities of a kind that require additional funds, Ivanhoe Australia may need to raise additional capital from debt or equity sources. For further information, see Section 5 "Risk Factors" in this Prospectus.

3.5.1 Ongoing exploration program

Ivanhoe Australia's exploration program is ongoing and Ivanhoe Australia may obtain both positive and negative exploration results in the period between the date of this Prospectus and the allotment of Shares under this Prospectus. Ivanhoe Australia will monitor the results it receives during this period, assess whether such results require disclosure and may publish some results on its website at <http://www.ivanhoeaustralia.com> (any such results will not be incorporated in this Prospectus – no website information, other than what is specifically indicated herein, is incorporated in this Prospectus). Given the uncertainty that can surround unassayed drilling results, it is the Board's general policy not to announce mineralised intercepts that have not been assayed. As a result, these intercepts are unlikely to be released to the market. However, if the Board determines that any intercepts Ivanhoe Australia obtains during the period before Allotment require disclosure under the Corporations Act, Ivanhoe Australia will make the necessary disclosure in accordance with the Corporations Act. Ivanhoe Australia may also make disclosures to ASX prior to quotation of the Shares. Ivanhoe Australia's parent, Ivanhoe Mines, may also make public announcements and filings from time to time in accordance with its continuous disclosure obligations under Canadian and US securities laws, such as announcements to the Toronto Stock Exchange, the New York Stock Exchange and the NASDAQ.

Investors should refer to the Independent Geologist's Summary Report in Section 6 of this Prospectus for a discussion of Ivanhoe Australia's exploration program but should note that the Independent Geologist's Summary Report has only taken into account information obtained by the Independent Geologist up to 30 April 2008.

3.6. Highly prospective suite of other exploration assets

If economically viable resources are established at the Mount Elliott, Mount Dore and Starra Line projects, Ivanhoe Australia's longer term development strategy for the Cloncurry Project will be to use the infrastructure associated with early production from the Starra Line and Mount Dore project to support development of the Mount Elliott project and to increase the returns from its other prospects. The potential for these economies of scale are provided by the relative proximity of a number of exploration assets which are described below and presented in Figure 3.10.

Selected results for these other exploration assets are presented below in this section 3.6. The tables of all the copper and gold exploration drill hole intersections in Ivanhoe Australia's possession for its other exploration assets are incorporated by reference into this Prospectus under subsection 712(3) of the Corporations Act and a copy of them has been lodged with ASIC. You have the right to obtain a copy of the tables free of charge and may do so by contacting the Ivanhoe Australia Offer Information Line on 1300 301 687 (within Australia) or +61 3 9415 4294 (from outside Australia) or by visiting Ivanhoe Australia's website, <http://www.ivanhoeaustralia.com/s/Prospectus.asp> (no website information, other than what is specifically indicated herein, is incorporated in this Prospectus). You should consider the information discussed in this Prospectus about the exploration results for these assets in order to help you decide whether to obtain copies of the tables of results. Information presented in the tables includes: drill-hole number, intercept depths and values for copper, gold, silver, lead, zinc, cobalt and molybdenum where known, as well as coordinate data for the midpoints of the intercepts. The tables also indicate the number of holes known at each prospect. The information in the tables will be primarily of interest to professional analysts or advisers or investors with similar specialist information needs.

3.6.1 Additional IOCG Prospects

Northern Gossans

The Northern Gossans prospect is located immediately northwest of Mount Elliott and is within a granted ML. The prospect has been partially tested and drilled by previous explorers with some narrow width results received, including 30 metres at 0.9% Cu and 0.5g/t Au (hole NGAT-04).

Northern and Central Leases

These targets occur along a 1.5 kilometre long zone approximately 2 to 3 kilometres northwest of Mount Elliott and immediately northwest of Northern Gossans. They are located along a soil geochemical anomaly defined and partly drill tested by previous operators, with anomalous gold and copper drill intercepts including 20 metres at 0.9% Cu and 0.7 g/t Au (hole CLAT-05). The prospects are within granted MLs.

The area was mapped and rock-chip sampled in 2007 by Ivanhoe Australia and gold-copper anomalous ironstones defined. Diamond drilling to date by Ivanhoe Australia comprises 1 hole at Central Leases and 2 holes at Northern Leases; assay results are pending. Locally strong calc-silicate alteration with weak to locally strong chalcopyrite similar in style to that at Mount Elliott was intercepted. Further drilling is planned for 2008.

Amethyst Castle

The prospect is located approximately 9 kilometres southwest of the Mount Elliott project. Reconnaissance drilling, totalling 9 diamond holes and 14 reverse circulation holes, conducted in 2006 by Ivanhoe Australia, encountered significant intersections of IOCG-style breccias containing gold and copper mineralisation with related uranium. These

encouraging intersections, and more importantly the intensity and style of the breccia-hosted mineralisation, demonstrate the potential for a large-scale system. Ivanhoe Australia has identified further drill targets at Amethyst Castle using recent induced polarisation and gravity surveys. The future exploration program for Amethyst Castle will involve reverse circulation and diamond drilling of these targets along with geophysical studies to identify further targets.

Lady Ella

The Lady Ella copper-gold deposit, located 4.5 kilometres south of the Mount Elliott project and within a granted ML, was mined by open-pit from June 2002 to February 2003. Supergene ore from the deposit was mined from between 30 and 60 metres below surface to provide supplemental mill feed.

Previous drilling was extremely limited, extending to only 70 metres north of the pit and 60 metres beneath the pit floor. Hole LEQ-94-01 drilled in the 1990s to 100.3 metres depth included 31.7 metres at 2.51% Cu and 2.29 g/t Au (from 20.3 metres).

The Lady Ella South anomaly is located 300 metres south of the pit and consists of a copper-gold geochemical anomaly 500 metres long and 50 metres wide. This anomaly is defined on anomalous copper-gold rock-chip samples as well as copper geochemical analyses obtained by Niton XRF analysis of termite mounds.

Primary sulphide mineralisation contained in a strong breccia continues at depth below the open-pit floor. Ivanhoe Australia in 2008 drilled 10 holes totalling 2,298 metres that tested immediate strike and depth extensions of Lady Ella and the Lady Ella South area. Weak to locally strong chalcopyrite was intercepted in breccias generally from 2 to 10 metres thick. As at 30 June 2008, assay results have only been received for part of the first hole and include 44 metres at 0.31% Cu and 0.47 g/t Au from the clay-rich zone.

The Lady Ella area is a high priority copper-gold target with further exploration planned for 2008.

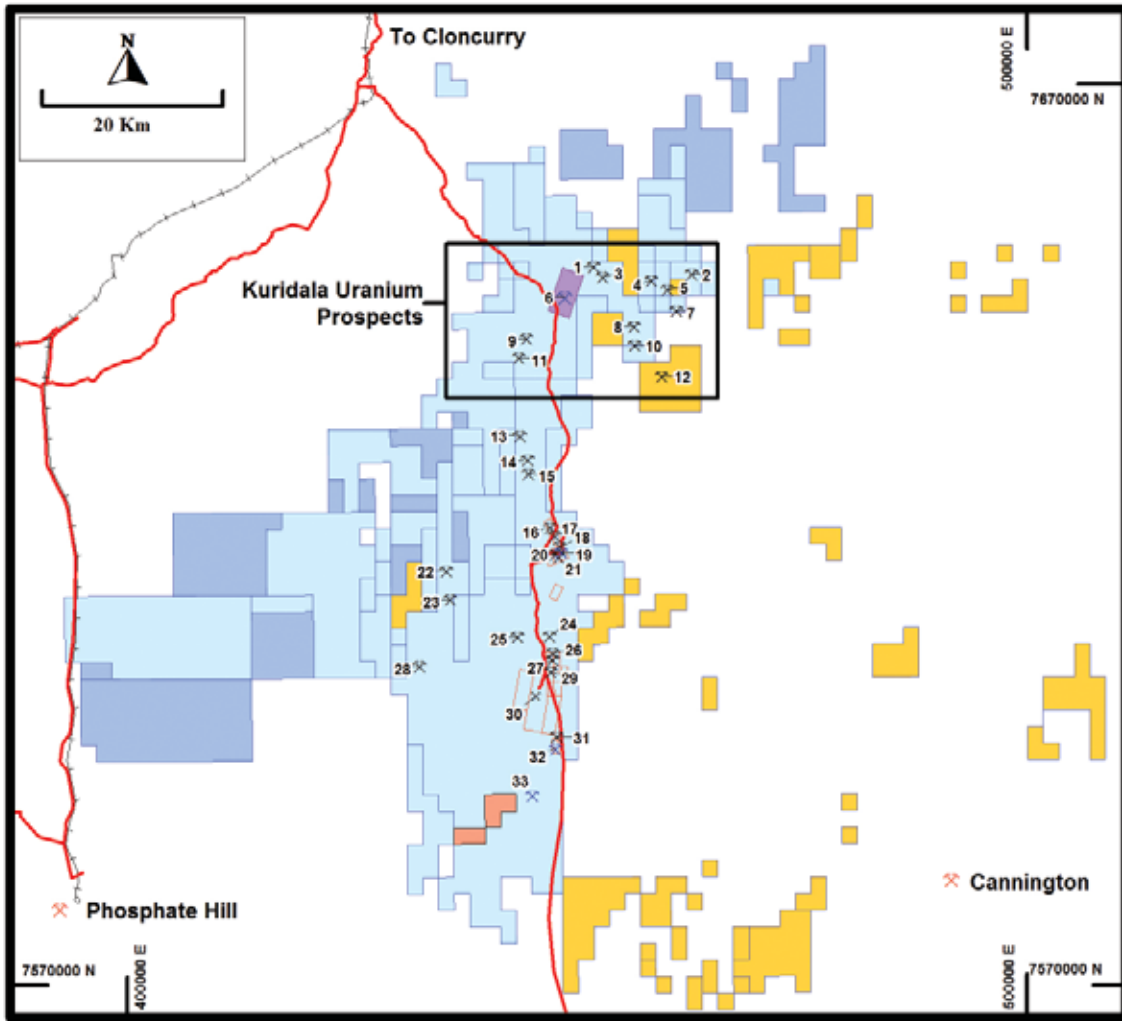
Metal Ridge

The Metal Ridge group of prospects (including the Metal Ridge, Metal Ridge North and Metal Ridge West prospects) are located approximately 4 kilometres north of the Mount Dore project and approximately 2 kilometres south of the Lady Ella deposit. It is located within the highly prospective regional-scale Mount Dore fault zone which hosts a number of diverse styles of mineralisation. Numerous small-scale historic workings comprising shallow pits and shafts are found in the area. Previous operators defined a copper soil geochemical anomaly about 1.5 kilometres long and over 400 metres wide and drill tested this anomaly. This geochemical anomaly is associated with 1.5 kilometre long magnetic and conductivity anomalies.

Drilling by Ivanhoe Australia in 2006 and 2007 at Metal Ridge North comprised 6 diamond-drill holes, totalling 3,243 metres, and 7 reverse circulation holes totalling 1,317 metres. The work identified several zones of anomalous copper and gold with or without uranium-molybdenum-lead-zinc. Drill intercepts include 6 metres at 1.21% Cu and 0.53 g/t Au (hole MRND003 from 228 metres) and 12 metres at 1.02% Cu and 0.31 g/t Au (hole MRND005 from 446 metres). The Metal Ridge North target extends south towards a major magnetic feature at the Metal Ridge prospect which has not yet been tested by Ivanhoe Australia.

This mineralisation and the associated widespread alteration is similar in style to that found at the Mount Elliott and Mount Dore projects. The favourable host rock, the fluid chemistry and extent of alteration in close association with a major regional structure indicate the Metal Ridge area is highly prospective.

Figure 3.10 – Key Prospects on the Cloncurry Project



LEGEND

- Ivanhoe EPM
- Ivanhoe EPM Application
- Ivanhoe ML
- Ivanhoe - Exco JV
- Matrix ML to 100m depth
- Barrick ML Application

- Mine, operating
- Mine, abandoned
- Ivanhoe prospect
- Road
- Railway

Prospect Location

- | | |
|--------------------|---------------------|
| 1 Lotta Coppa | 18 Northern Gossans |
| 2 Triga | 19 Mount Elliott |
| 3 Straight Eight | 20 Swan |
| 4 Currajong | 21 Swell |
| 5 Robert Hegg | 22 Rudolph |
| 6 Hampden | 23 Blitzen |
| 7 U2 | 24 Metal Ridge |
| 8 Elizabeth Anne | 25 Amethyst |
| 9 Dairy Bore | 26 Busker |
| 10 Great Wall | 27 Flora |
| 11 Old Fence | 28 Slate Ridge |
| 12 Farley | 29 Mount Dore |
| 13 Tip Top | 30 Starra |
| 14 Labour Victory | 31 Utah |
| 15 Occidental | 32 Mount Cobalt |
| 16 Northern Leases | 33 Victoria |
| 17 Central Leases | |

Reindeers

A group of 3 previously defined prospects, Rudolph, Donner and Blitzen, are located approximately 20 kilometres northwest of the Starra Line in an area with generally similar geology to the Starra Line. Airborne magnetic surveys have shown that a strong anomalous trend extends across the area; it is interpreted to represent the folded sub-outcropping continuation of the Starra Line ironstones. Sub-outcropping ironstones with associated anomalous copper and gold values occur in the vicinity of the Donner prospect.

Diamond drilling that has recently commenced at Blitzen is testing an area of strong gold results from previous drilling. Results of the current drilling are not yet available.

East Wewak

A reverse circulation drill program comprising 10 holes has been designed to test the East Wewak ironstones. This ironstone zone is similar to that at the Starra Line and is approximately 2 kilometres long and generally about 5 metres wide; in places up to 30 metres in width. Previous operators reported a few rock-chip samples that assayed up to 9.5 g/t Au. The approximately 50 rock-chip samples collected to date by Ivanhoe Australia did not assay above 0.4 g/t Au.

3.6.2 Other Secondary Copper Prospects

Several zones of oxide mineralisation have been delineated and mined within the Cloncurry Project over the last 2 decades. With sufficient tonnage and the higher copper prices currently experienced, there is potential for development of these deposits using SXEW techniques. The most prospective of these deposits are detailed below.

Victoria

The Victoria deposit, situated 14 kilometres south of the Mount Dore Project, has been previously mined for high grade copper oxide via 2 open pits. The deposit is similar in character to the Mount Dore deposit, being located on the Mount Dore fault and shale-hosted. Oxide copper mineralisation continues north of Ivanhoe Australia's leases into a tenement held by another party. Ivanhoe Australia is currently reviewing previous data on this deposit which is within two granted MLs.

Straight Eight and Lotta Coppa

The Straight Eight prospect 4 kilometres northeast of Kuridala, consists of extensive secondary copper mineralisation. The 3 strong copper-in-soil anomalies, known as Lotta Coppa (in the northwest), Straight Eight Central Area and Straight Eight Shaft (in the southeast) occur over a 3 kilometre strike length. Previous limited percussion drilling was undertaken at all 3 locations and more detailed follow-up was later undertaken at the Straight Eight Central Area and in this case the samples were also assayed for cobalt. Significant down-hole intersections from drilling by previous operators include 6 metres at 1.33% Cu (hole SE8007) from the Lotta Coppa Area and 12 metres at 1.66% Cu (hole S8040) from the Straight Eight Shaft Area. Intercepts from the Central Area were 17 metres at 1.50% Cu and 719ppm Co (hole S8RC72) as well as 28 metres at 1.65% Cu and 641ppm Co (hole S8RC56).

Wewak

Located on the Exco JV Tenements, the Wewak prospect lies approximately 18 kilometres northwest of the Starra Line Deposits. Mineralisation consists of breccia hosted copper oxide within graphic slates and shales. Ivanhoe Australia recently completed 3 diamond drill holes totalling 684 metres beneath the open cut working at Wewak. Both oxide and sulphide copper were encountered within variably altered slates and phyllites. Assays are pending.

Other Significant Prospects

Apart from the deposits mentioned above, copper oxide mineralisation at surface and in drill holes or strongly anomalous copper rock chip geochemistry, occurs at numerous locations including, but not limited to, Occidental, Labour Victory, Tip Top, Busker, Flora and Slate Ridge. The Company believes that these prospects warrant follow-up exploration as part of the assessment of establishing an SXEW operation.

There are several areas on the tenements which are outside the IOCG framework, but which form substantial exploration targets in their own right. Some of these are described below.

Slate Ridge

Slate Ridge, approximately 14 kilometres west of the Starra Line, consists of a small near-surface gold-rich oxide deposit and a deeper copper-gold oxide and supergene sulphide deposit. The mineralisation is hosted by black shales and is associated with quartz veining and faulting. The few deeper holes drilled in this area intersected primary sulphides and the deposit remains open at depth.

Mount Cobalt

The Mount Cobalt area lies within a granted ML approximately 3 kilometres east of the Starra Line. It is the site of a historical cobalt mine with production to 1948 estimated at 18,000 tonnes at over 3.5% cobalt. The mineralisation is hosted within a shear zone at the margins of an amphibolite and previous drilling to test the cobalt potential yielded a number of significant copper and gold down-hole intercepts in primary sulphides including:

- 18 metres at 1.2% Cu and 1.5 g/t Au from 54 metres (10 metres at 2.01% Cu, 1.9 g/t Au) in hole MVH10
- 1.7 metres at 3.0% Cu, 1.4 g/t Au from 54.3 metres in hole MVH12

The results of this work, in conjunction with information from earlier drilling, indicate that additional evaluation is warranted. Mapping and reconnaissance sampling is underway and further exploration is likely to include a ground magnetic survey and drill testing.

Kuridala

The historic Hampden Kilometre surface area, located 30 kilometres north of Mount Elliott, is the site of the Kuridala group of mine workings which lie within Ivanhoe Australia's tenement EPM 9116. A ML held by Matrix Metals Limited covers the Hampden Kilometre mine area to a depth of 100 metres whilst Ivanhoe Australia has exploration rights below this depth.

Drilling by previous operators shows high grade copper-gold bearing sulphide mineralisation below a depth of 100 metres and in the vicinity of previously mined out stopes of the Hampden Kilometre mine. This work indicated the mineralisation to occur as discontinuous zones in intensely deformed metasediments. Results from early drilling include 19 metres at 6.0% Cu and 2.7 g/t Au, 10 metres at 4.9% Cu and 2.2 g/t Au, 1.7 metres at 2.26% Cu, 1.06 g/t Au and 430ppm Co from 147.2 metres. The zone remains open at depth and additional drill testing is warranted.

3.6.3 Uranium Prospects

Uranium was first indicated within the IAL Tenements in the late 1960s and mid-1970s, with previous exploration work carried out at the Elizabeth Anne, Mariposa, Utah and Mount Dore uranium/copper prospects. Uranium was also discovered by CRA Exploration (now Rio Tinto)¹ at the Dairy Bore, Old Fence, U2 and Robert Heg prospects in the Kuridala area, located in the northern part of Ivanhoe Australia's tenements.

Ivanhoe Australia has undertaken a comprehensive review of the work undertaken in previous exploration programs and, on the basis of these and initial assay results, has concluded there is potential for uranium deposits to occur in the Cloncurry Project area.

In November 2006, Ivanhoe Australia commissioned 3 airborne radiometric surveys over areas within the northern and central tenements of the Cloncurry Project. The 2 surveys, flown specifically for uranium exploration, generated numerous substantial uranium anomalies.

Results from these radiometric surveys have assisted Ivanhoe Australia to identify priority uranium exploration targets within the Kuridala area and to formulate a uranium-focused exploration program for these prospects. High priority prospects include the Robert Heg, Dairy Bore, Old Fence, Elizabeth Anne, Great Wall, Farley and Triga prospects.

Ivanhoe Australia in 2007 carried out a comprehensive review of the work undertaken by the previous exploration programs. Drill programs targeting uranium mineralisation will initially attempt to replicate the information obtained through prior exploration work. Drilling to date includes only that at Robert Heg. The current exploration program aims to improve the understanding of the geological structures and mineralisation of the area before conducting further drill testing at depth. Please note the current restrictions on uranium mining outlined in Section 5.1.

A summary on some of the Kuridala area uranium prospects follows.

Robert Heg

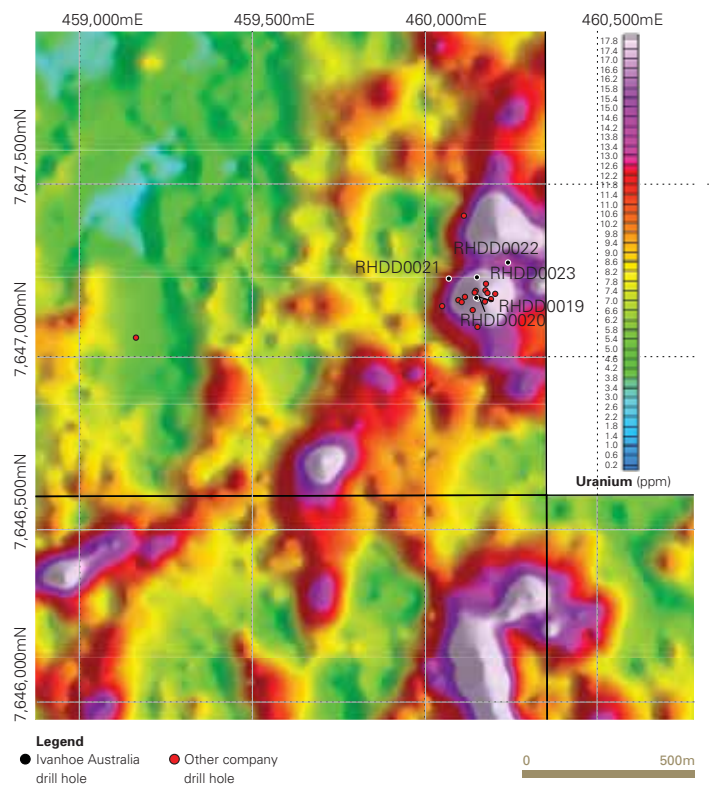
Robert Heg is the most thoroughly explored uranium-dominant prospect within the Cloncurry Project. Early exploration work by CRA Exploration (now Rio Tinto) at Robert Heg included drilling 18 holes that discovered a high-grade uranium zone spread over an area of 150 metres by 100 metres. A summary of drill holes and assay results from the previous drilling program are shown in Table 3.8. Table 3.9 presents a summary of results achieved by Ivanhoe Australia from drilling at Robert Heg. Figure 3.11 presents a radiometric survey of the Robert Heg prospect highlighting previous exploration work that was centred on a strong radiometric anomaly.

Table 3.8 – Selected CRA Exploration uranium exploration results at Robert Heg (cut-off 120ppm U₃O₈)

Drill Hole	Interval (m)	From (m)	Grade (ppm U ₃ O ₈)
RH1	22.0	13.0	4,810
includes	11.0	14.0	9,346
RH2 ²	3.0	6.0	354
RH3 ²	3.0	8.0	251
RH4 ²	2.0	10.0	153
RH5	14.0	4.0	173
RH6	6.0	4.0	153
RH7	10.0	70.0	1,644
includes	6.0	72.0	2,358
RH9	16.0	4.0	395
and	22.0	36.0	1,985
includes	4.0	36.0	9,434
RH13	16.0	24.0	665
includes	4.0	30.0	2,081
RH14	10.0	6.0	354
and	10.0	70.0	278
RH15	10.0	6.0	354
and	10.0	70.0	278
RH16	44.0	14.0	353
includes	2.0	40.0	1,910

² Holes RH 2, 3, and 4 were abandoned at shallow depth due to collar collapse.

Figure 3.11 – Robert Heg Radiometric and Drill Hole Collar Map



¹ This information (and all other information in this Prospectus regarding exploration work and results of CRA Exploration) is based on information in a geological report of CRA Exploration Pty Ltd dated May 1994 titled "EPM 7221 (Heg) report on areas relinquished for the period ended 23/4/94" prepared by Barry J Davis. Neither Barry J Davis, CRA Exploration nor Rio Tinto Limited have consented to the use of the information (or to the use of the references based on that information) in this Prospectus. This information has not been verified by the Company.

Table 3.9 – Selected Ivanhoe Australia uranium exploration results at Robert Heg (cut-off 120ppm U₃O₈)

Drill Hole	Interval (m)	From (m)	Grade (ppm U ₃ O ₈)
RH 19	11.0	15.0	4,979
includes	9.0	15.0	6,000
RH 20	2.0	32.0	996
and	9.0	283.0	473
RH 21	24.0	64.0	224
includes	2.0	67.0	837
RH 22	5.0	239.0	698
includes	1.0	240.0	2,535
RH 23	2.0	152.0	206

Source: Ivanhoe Australia

Ivanhoe Australia completed 5 diamond drill holes, totalling 1,699 metres in 2007. A detailed SAM magnetic and conductivity survey completed in 2007 defined cross-cutting structures that may control mineralisation. Better understanding of the geological structure and mineralisation of the area is required before further drill testing.

Elizabeth Anne

Elizabeth Anne is located 8 kilometres southeast of Kuridala at the southern extension of the Straight Eight Fault. Mineralisation is associated with ironstones. Prior exploration work included 56 percussion holes and 3 diamond holes. 13 percussion holes intercepted in excess of 250ppm U₃O₈ with 5 holes yielding results in excess of 1,000ppm U₃O₈. The best result was 1.6 metres at 7200ppm U₃O₈. Secondary copper was also identified at this prospect. Mapping is underway in the area around Elizabeth Anne and Great Wall located 2 kilometres to the south. Drilling is planned for late 2008.

Great Wall

This prospect was defined from an analysis of airborne radiometric results. Ivanhoe Australia's limited field inspection of the anomaly located uranium mineralisation up to 1.66% U₃O₈ hosted in ironstone as well as secondary uranium minerals within siliceous ironstone.

Dairy Bore

Dairy Bore contains 2 prospects known as DB1, located 3 kilometres west of Kuridala, and DB2, located 1 kilometre southeast of DB1. An aircore drilling program was completed in 2007 over this prospect. Dairy Bore has anomalous base and precious metals in addition to uranium values. Soil sampling by CRA Exploration (now Rio Tinto) indicated up to 82ppm U₃O₈ at DB2. Reverse circulation drilling is planned in 2008 on copper anomalous gossans and geophysical targets.

Old Fence

This prospect, 3 kilometres southeast of DB1, is located along the same geological fault as Dairy Bore. Old Fence was previously explored for copper, with reverse circulation drilling intersections including one of 18 metres at 0.38% Cu. Reverse circulation drilling is planned in 2008.

U2

U2, located 2 kilometres south of Robert Heg and 12 kilometres southeast of Kuridala, comprises 2 magnetic anomalies associated with a local granite contact. The sole assay sample from prior exploration work is a rock-chip of approximately 4.7% U₃O₈. Mapping and reconnaissance sampling was carried out in early 2008; results are pending.

Currajong

Currajong is located 1.6 kilometres west of Robert Heg and has a similar geological setting. Currajong is an Ivanhoe Australia geophysical target and has not yet been explored.

Triga – Lanham

Located in the northeastern area of the Cloncurry Project, this group of prospects extends northwesterly for 6 kilometres from the Triga to Lanhams prospects. They are hosted in black shales. Previous drilling by several companies identified strong copper, gold and molybdenum mineralisation at shallow depths. Field work by Ivanhoe Australia utilising a scintillometer has noted an increase in the background uranium radiation associated with this copper-gold mineralisation. To date no samples have been assayed for uranium. Several radiometric anomalies were detected by the airborne survey conducted over this area by Ivanhoe Australia.

X1

X1 is an unexplored Ivanhoe Australia geophysical target identified by airborne radiometric analysis.

Farley

The Farley uranium prospect is located on the Exco JV Tenements and is defined by a strong radiometric anomaly in an area underlain by weathered granite.

Previous stream sediment sampling conducted by CRA Exploration (now Rio Tinto) in this area during the 1970's located 106ppm U₃O₈ in 2 drainages. In addition, brannerite was detected in pan concentrates from a southwest flowing drainage.

The geological setting of this coincident geochemical, radiometric and indicator mineral anomaly is permissive for several potential styles of uranium mineralisation. The Farley prospect is ranked as a high priority for follow up exploration work.

3.6.4 Other Prospects

Previous and current exploration within the Cloncurry Project area has identified over 220 prospects that represent targets for future exploration. Whilst some of the prospects not discussed in this Prospectus are currently of low priority, there are many that have not yet been fully assessed and may represent genuine and potentially significant exploration opportunities for Ivanhoe Australia.

3.6.5 Competent Persons

The information in this Section 3 and elsewhere in this Prospectus that relates to Ivanhoe Australia's exploration results (and exploration targets) for the Mount Dore, Mount Elliott and Starra Line projects, is based on information compiled by Barry Goss, who is a full time employee of Ivanhoe Australia and a Fellow of the Australasian Institute of Mining and Metallurgy. Barry Goss has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a 'Competent Person' as defined in JORC. Barry Goss consents to the inclusion in the Prospectus of the matters based on his information in the form and context in which it appears.

The information in this Section 3 and elsewhere in this Prospectus that relates to Ivanhoe Australia's exploration results for prospects other than the Mount Dore, Mount Elliott and Starra Line projects, is based on information compiled by Paul Carter, who is a full time employee of Ivanhoe Australia and a member of The South African Council for Natural Scientific Professions, a 'Recognised Overseas Professional Organisation' included in the current list of such organisations promulgated by ASX. Paul Carter has sufficient experience which

is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a 'Competent Person' as defined in JORC. Paul Carter consents to the inclusion in the Prospectus of the matters based on his information in the form and context in which it appears.

The Independent Geologist's Summary Report and the Independent Geologist's Full Report have been prepared by Peter Goldner who in this regard and in respect of those reports qualifies as a 'Competent Person' as defined in JORC (see Section 6 for details).

3.7. Strong corporate platform

3.7.1 Exco Resources Investment and the Exco JV

Exco Resources is a junior resource company listed on ASX with a market value as at the date of this prospectus of around A\$90 million. Exco Resources holds approximately 4,100 km² of tenements in the Cloncurry District, some of which are contiguous with Ivanhoe Australia's IAL Tenements. Exco Resources has reported that it has 402,600 tonnes of copper metal in various resources throughout these tenements and many exploration targets requiring assessment.

Through a series of transactions in 2007 and 2008, Ivanhoe Australia acquired a significant stake (currently 19.9%) in Exco Resources and as a result maintains a seat on the Exco Resources Board. Ivanhoe Australia also generally has the right (ending 1 June 2009) to participate in every new issue of shares or equity securities by Exco Resources pro rata to Ivanhoe Australia's share ownership interest in Exco Resources.

As part of Ivanhoe Australia's investment in Exco Resources, Ivanhoe Australia entered into a joint venture exploration agreement for the purpose of conducting exploration work in relation to a number of Exco Resources' tenements which are partly contiguous with Ivanhoe Australia's IAL Tenements. Under the terms of the joint venture exploration agreement:

- Ivanhoe Australia has the right to earn an 80% right, title and interest in the Exco JV Tenements by expending A\$5m over 3 years commencing from 14 May 2007 (subject to Ivanhoe Australia first expending A\$600,000 within the period from 14 May 2007 to 31 July 2008), with this initial expenditure included in the overall expenditure requirement of A\$5m. As at 31 May 2008, Ivanhoe Australia had expended A\$552,000 and expects to satisfy its initial required expenditure for this initial period under the joint venture by 31 July 2008.
- If Ivanhoe Australia earns the 80% interest, each party will contribute to project expenses on a pro-rata basis.
- Ivanhoe Australia is granted a first right to negotiate additional joint venture arrangements on any tenements which may return to Exco Resources as to 100% ownership, namely those tenements currently the subject of existing joint venture agreements with BHP Billiton (Soldiers Cap Joint Venture) and Xstrata (Black Rock Minerals Joint Venture) once those tenements are no longer subject to such joint ventures.

3.7.2 Barrick (Osborne) Pty Limited Royalty Agreement over Mill Feed Target Area

Ivanhoe Australia was a party to a letter agreement with Barrick (Osborne) Pty Limited (formerly known as Placer Pacific (Osborne) Pty Limited) dated 15 June 2005 (Southern Magnetic Targets Joint Venture (SMTJV)).

Ivanhoe Australia and Barrick have terminated the SMTJV and the terms and conditions of the parties' resultant relationship is recorded in 2 agreements:

- (a) the EPM 10783 Agreement dated 17 January 2008; and
- (b) the Royalty Agreement dated 17 January 2008.

Under the EPM 10783 Joint Venture Agreement with Barrick (Osborne) Pty Limited, Ivanhoe Australia applied for a ML over 5 sub-blocks of EPM 10783 (Mill Feed Target Area) and agreed to transfer this ML application to Barrick. As the ML application has now been transferred to Barrick, the SMTJV has now been terminated subject to certain ongoing obligations of Ivanhoe Australia. These include assisting Barrick with the ML application and maintaining EPM 10783 in good standing. As part of these arrangements, a consent caveat has been lodged by Barrick over EPM 10783 preventing its transfer.

Under the Royalty Agreement, following the processing of 10 million tonnes of ore from the Mill Feed Target Area, Ivanhoe Australia is entitled to a royalty of 5% on the Net Smelter Return received by Barrick from all mineral products produced from a ML granted over all or part of the Mill Feed Target Area.

3.8. Growth Strategy

Ivanhoe Australia's vision is to build a substantial Australian based company focusing on the exploration and development of major copper, gold and uranium deposits. In the short term, Ivanhoe Australia's strategy is firmly focussed on fully exploiting the potential of its highly prospective Cloncurry Project.

The Company's growth strategy has 4 key elements:

I. Conduct extensive exploration for large iron-oxide-copper-gold (IOCG) and copper dominant orebodies

Ivanhoe Australia's main objective is to identify and develop "classic" IOCG orebodies which may be located at depth within the Cloncurry Project and contain copper, gold and some uranium mineralisation. The most advanced of these IOCG targets currently identified on the Cloncurry Project are the previously mined Mount Elliott and Starra Line mineralised systems, however many additional targets exist.

There are approximately 220 known targets for copper, gold and uranium in the Cloncurry Project area, many of which have been previously identified by surface exploration and drilling at relatively shallow depths. Ivanhoe Australia intends to conduct a systematic drilling program of these targets with a view to identifying geological patterns which support the potential for large IOCG orebodies hosted in either IOCG or other mineralised systems.

II. Pursue Early Development of Previously Defined Prospects

Near surface secondary copper targets will be pursued which offer the potential for early copper production. These targets have the potential for open pit mining and copper production by heap leaching and SXEW treatment of the ore. The most advanced of these targets is the Mount Dore secondary copper deposit.

Ongoing studies will be conducted to review development options for the previously mined Mount Elliott mineralised system. Studies are also planned to review options for mining and treatment of the remaining high grade resources on the Starra Line of orebodies.

III. Confirm Previously Identified Uranium Potential

Ivanhoe Australia's third key objective is to identify and explore uranium-dominant targets and deposits which are hosted in the northern parts of the Cloncurry Project. Specifically, the Robert Heg, Elizabeth Anne, Dairy Bore, U2, Great Wall and Currajong uranium prospects will be the initial focus of exploration.

Ivanhoe Australia has conducted some diamond drilling at Robert Heg and plans to expand its drilling program to include all its uranium prospects in the Kuridala area following initial geological and geochemical evaluation of these sites.

IV. Pursue Corporate Initiatives

Ivanhoe Australia may also pursue corporate opportunities to assist in achieving the Company's growth objectives. Initially, control of additional copper, gold and uranium prospects will be targeted, but the Company expects that the Board will also consider opportunities in other mineral commodities.

In addition, Ivanhoe Australia will look to establish joint ventures and enter into strategic corporate transactions.

3.9. Infrastructure and Services

While the Cloncurry Project is located in a relatively remote district of Queensland, access to the area is facilitated by a good quality partly unsealed road from the township of Cloncurry. Access by air is also provided by a private 2,000 metre gravel airstrip at an elevation of 340 metres which is equipped with lights for night take-off.

Cloncurry, which is the closest population centre to Ivanhoe Australia's tenements, has a population of 3,500, and is located 90 kilometres by air or 150 kilometres by road to the north of the Cloncurry Project camp. Mount Isa is 150 kilometres by air or 240 kilometres by road to the northwest. The nearest railway sidings are situated at Malbon, 55 kilometres to the north of Mount Elliott, and at Phosphate Hill, 50 kilometres to the west.

Within the Cloncurry Project the various prospects and tenements are connected by a significant network of tracks allowing good access over a large area.

The district is connected to other parts of northwest Queensland by a good quality network of roads and highways. The primary roads are asphalt whilst the secondary roads in the district are gravel and are maintained by the Shire of Cloncurry.

The water supply for the current exploration activities and camp facilities is sourced from bores located on Ivanhoe Australia's mining tenements. Options for additional water supplies exist in the area, including refurbishing the Burke River Borefield, comprising 4 bores and one standby bore, and a 44 kilometre pipeline from the Burke River Borefield to the existing water reservoir on Ivanhoe Australia's mining tenements formerly used by Ivanhoe Australia and former mining operations. These options will require government and landholder approvals (there are no guarantees such approvals would be forthcoming). Further information on the risks relating to the water supply can be found in Section 5.1.

Electricity is supplied to the Cloncurry Project by diesel generators located strategically throughout the site. The generators are maintained by Ivanhoe Australia's maintenance team.

Natural gas is available in the district with the nearest pipeline being within 50 kilometres of the former treatment plant site. This pipeline is fed from the Cooper Basin on the South Australia, Queensland border.

Ivanhoe Australia has contracted Drill Torque Queensland Pty Ltd and Tom Browne Drilling Services Pty Ltd to provide drilling services to the Cloncurry Project. Drill Torque has provided drilling services to Ivanhoe Australia since July 2006 and currently has 5 drill rigs on site. It has been providing these drilling services in accordance with a contract for works which have now been completed. Ivanhoe Australia is expecting to sign a new annual contract with Drill Torque by early July 2008. Tom Browne Drilling has provided drilling services to Ivanhoe Australia since April 2007 and currently has 2 drill rigs on site. It has been providing these drilling services in accordance with an unexecuted contract. Ivanhoe Australia is expecting to sign a new annual contract with Tom Browne Drilling by early July 2008.

Ivanhoe Australia maintains a good working relationship with its contracted drillers.

3.10. Ownership of Minerals

In Queensland, the ownership of minerals has been separated from the ownership of the surface of land and legislation vests the ownership of such minerals in the State on behalf of the public. This presumption of government ownership gives rise to potentially competing interests between the holders of mining rights under legislation and land title holders. As a result, exploration for and mining of minerals requires appropriate authorisation under the State's mining legislation, and royalties are payable in respect of minerals extracted.

Mining legislation

The *Mineral Resources Act 1989* provides the legislative framework for exploration, development and mining tenure in the State. An interest or "tenement" granted under legislation is required from the State to carry out all exploration and mining activities. While separate tenements are required for each of exploration and mining activities, tenements and other licenses are available under mining legislation for purposes incidental to mining, including access, storage and depositing waste or tailings.

The holder of an exploration or mining tenement must comply with the conditions attached to the grant of the tenement and the regulatory scheme established under that legislation. This may involve significant expenditure, which adds to mining and operating costs. Where a tenement holder fails to comply with the condition of grant and the regulatory scheme, it may be liable for financial penalties, prosecution or forfeiture of its tenement.

There are three main types of tenement in the State of Queensland that are relevant to Ivanhoe Australia's exploration program - an exploration permit, a mineral development licence and a ML. The key feature of these are set out below.

An exploration permit for minerals (EPM):

- is issued for the purpose of exploration for specified minerals,
- authorises its holder to enter upon land and there to take action to determine the existence, quality and quantity of minerals on, in or under land by methods which include prospecting, geophysical surveys, drilling, and sampling and testing of materials to determine mineral bearing capacity or properties of mineralisation,
- requires the holder to commit to a program of work and to provide a security deposit against that obligation,
- may eventually lead to an application for a mineral development licence or ML,
- can be granted for a period of up to 5 years and can be renewed, and
- may be assigned, either entirely or a fractional part, with the approval of the Minister.

From time to time, the actual area of the Cloncurry Project changes, and will continue to change, as a result of the relinquishment of tenements (or tenement sub-blocks) required by statute or the acquisition of new tenements (or tenement sub-blocks). This is a normal incident of maintaining any holding of tenements.

A mineral development licence:

- allows the holder to undertake geoscientific programs (e.g. drilling, seismic surveys), mining feasibility studies, metallurgical testing and marketing, environmental, engineering and design studies to evaluate the development potential of the defined resource,
- can be granted to the holder of an exploration permit for a period of up to 5 years where there is a significant mineral occurrence of possible economic potential,
- can be renewed, and
- may be assigned, either entirely or a fractional part, or mortgaged, with the approval of the Minister.

A ML:

- is granted for mining operations,
- authorises its holder to occupy the surface of land,
- entitles the holder to machine-mine specified minerals and carry out activities associated with mining or promoting the activity of mining,
- is not restricted to a maximum term—this is determined in accordance with the amount of reserves identified and the projected mine life,
- can be granted for those minerals specified in either the prospecting permit, exploration permit or mineral development licence held prior to the grant of the lease, and
- may be assigned either entirely or a fractional part, mortgaged or subleased, with the approval of the Minister.

In each case, annual rental is payable to the State.

Changes to the Mineral Resources Act 1989 may occur in the next few years which could affect the development of the Cloncurry Project, as a review of the MRA is currently being undertaken by the Queensland Government.

Access to land

Subject to compliance with native title requirements and the relevant state resources legislation, once a tenement is granted by the State, the tenement holder then has an enforceable right to enter upon the land and undertake all works authorized under that grant. This is a right enforceable against all others, including the land title holders or their tenants.

The holder of an exploration permit must give a landholder prior notice of entry onto the land, and must compensate any landholder for damage or injury suffered as a result of the holder's activities on the land. The same position applies to a mineral development licence.

A ML may not be granted unless and until compensation by the holder of any affected landholder is first either agreed between them or determined by the court.

Since the common law of Australia first recognised native title in 1992, the holders or claimants of native title rights are entitled to be heard and (if necessary) compensated for any adverse impact on those rights of any mineral tenement. The necessary procedures are prescribed under native title legislation, at both State and Federal levels. Experience to date has demonstrated that, while the immediate financial impact of native title on proposed exploration or mining activities may not be great, there can be a risk of process delay.

3.11. Native Title

'Native title' describes the rights and interests of Aboriginal and Torres Strait Islander people in land and waters according to their traditional laws and customs as recognised by the common law of Australia. Native title exists separately from interests in land that are created by State legislation. Since the common law of Australia first recognised native title in 1992, the holders or claimants of native title rights are entitled to be heard and (if necessary) compensated for any adverse impact on those rights of any mineral tenement. The necessary procedures are prescribed under native title legislation, at both State and Federal levels.

The Mount Elliott, Mount Dore and Starra Line Projects are on granted MLs which are valid with respect to native title. Rights under these MLs can be exercised without further reference to native title, providing Aboriginal cultural heritage management is undertaken in accordance with agreements the Company has with relevant native title claim groups. These native title claim groups currently have claims registered over areas which include some of Ivanhoe Australia's other tenement. Ivanhoe Australia has negotiated agreements with the relevant native title groups. These agreements address native title and cultural heritage issues and provide a streamlined process in relation to new tenements which is designed to lower transaction costs in the future. Agreements with 2 of the native title groups were finalised in 2004 and the agreement with a third native title group was executed in 2007. These agreements constitute appropriate risk management documents for ensuring that Ivanhoe Australia meets its legal obligations under the native title and cultural heritage legislation in Australia.

3.12. Environmental Authorities and Compliance

In Queensland, the environmental management and regulation of mining activities is administered by the EPA through the issuing of environmental authorities under the *Environmental Protection Act 1994 (Qld)* (EP Act). Under the EP Act, a mining activity includes prospecting, exploring or mining under the *Mineral Resources Act 1989 (Qld)*. A person must not carry out a mining activity unless the person holds or is acting under an environmental authority. A mining activity is classified as either a level 1 or a level 2 under the EP Act. Mining activities that have a low level of environmental impact will be level 2 mining activities. An environmental authority for a level 2 mining activity may be a code compliant authority (meaning the mining activities are required to comply with the standard conditions contained in the relevant code of environmental compliance) or a non-code compliant authority (meaning specific conditions will be attached to the environmental authority). All environmental authorities for level 1 mining activities are non-code compliant. It is usual to apply for a single environmental authority for all mining activities that form a mining project (ie. a single environmental authority can authorise all mining activities carried out, or proposed to be carried out, under one or more mining tenements as a single integrated operation).

3.12.1 Exploration permits

The company currently holds valid environmental authorities for 13 of its 15 EPMs. The EPA has confirmed that the remaining 2 (being EPM 15218 and EPM 15282) are "deemed code compliant level 2" mining activities and consequently no environmental authority documentation is required for these permits.

3.12.2 MLs

The EPA has agreed that the current environmental authority MIM800187703 (relating to the Company's 20 MLs) will continue for the exploration phase of the Cloncurry Project. A Plan of Operations was submitted on 17 January 2008 and came into effect on 29 January 2008 with an expiry date of 30 December 2009. The Plan of Operations indicates the procedures, actions and controls that Ivanhoe Australia will undertake in order to comply with conditions specified in the environmental authority.

3.12.3 Environmental compliance

The EPA in their January 2008 site inspection reported that the site demonstrated general compliance with the Environmental Protection Act 1994 (Qld) but that certain areas required rectifying or improvement, these being:

- The Southern and Eastern Tailings Dams require permanent capping, however there is the possibility that the tailings dams might be reprocessed. Therefore the EPA accepts that a temporary capping is sufficient. Ivanhoe Australia has commenced with trials of various capping material including bitumen and other polymers. The EPA is satisfied with the progress of these trials.
- Leachate run-off from the old Selwyn Mines mill site needs to be kept under control. Monitoring indicates there is currently no discharge of leachate from the mill site. The mill site has been cleared of most of the materials around the workings that have leachate potential. The sediment dam near the large leach pad was deepened to prevent potential overflow. There are however still large amounts of rock dumps that will eventually require rehabilitation and profiling to prevent potential run-off.
- Bunds (retaining walls) around rock dumps at the Lady Ella open-pit require repair in order to control the release of leachate.
- Rehabilitation and improved profiling of the waste rock dumps at the Starra Line 222 mine is required to prevent site contamination of acid producing material.
- Bunding at the Starra Line 276 mine to prevent water flow through the rock dumps and clean up of material is complete.

A detailed action program for achieving compliance with the conditions of the current Environmental Authority, including the rectification and improvement activities mentioned above, is covered in the current Plan of Operations for the Selwyn project.

3.13. European Cultural Heritage

Places of European cultural heritage significance can be protected under the Queensland Heritage Act 1992. A place may have cultural heritage significance if items of European material culture and buildings evidencing an aspect of Queensland's history are located on it. The legislation may apply to certain old mine workings on Ivanhoe Australia's tenements. Ivanhoe Australia has been in contact with the Cultural Heritage Branch of the EPA in Townsville. The EPA are reviewing the European cultural heritage issues and, if Ivanhoe Australia provides the EPA with necessary support and resources, the EPA could inform Ivanhoe Australia of the findings before the end of September 2008. The main European cultural heritage sites on the Cloncurry Project include the:

- Mount Elliott plant, in particular, the one remaining chimney.
- Selwyn Township, where no buildings remain standing.
- Selwyn Cemetery, containing approximately 50 graves.
- Mount Cobalt mine, where minor equipment and building foundations remain.

The most significant consideration is relocation from the European heritage sites of structures and equipment that will be affected by future mining. The chimney at Mount Elliott is the most significant of these and relocation to the nearby old Selwyn Township is planned, subject to final approval from the EPA.

3.14. Pastoral lease

Ivanhoe Cloncurry is the lessee of a 50 year pastoral lease known as Starcross, which expires in 2032. Starcross is the underlying land for a number of Ivanhoe Australia's mining tenements and also a number of mining tenements held by third parties. The long-term Starcross lease gives security and certainty to past and planned investment into the tenements of the Cloncurry Project by Ivanhoe Australia.

Board, Senior Management and Employees





Robert M Friedland
Chairman and Non-Executive Director

Robert was appointed Chairman and a Director of Ivanhoe Australia in 2007. He is the founder and Executive Chairman of Ivanhoe Mines, Chairman of Ivanhoe Nickel & Platinum Ltd, Chairman and President of Ivanhoe Capital Corporation and co-founder and Executive Chairman, President and Chief Executive Officer of Ivanhoe Energy Inc.

A well-known financier of international resource projects, Robert has led Ivanhoe Mines' discovery and current development of the Oyu Tolgoi deposit in Mongolia. Oyu Tolgoi is the world's largest undeveloped, and one of the highest-grade, porphyry copper and gold deposits. Other current projects include the high-quality coal discoveries now being mined by Ivanhoe Mines' subsidiary, SouthGobi Energy Resources Ltd. at Ovoot Tolgoi, also in southern Mongolia, and various mineral discoveries in Africa.

Robert was named 2006 Mining Person of the Year by Canada's Northern Miner newspaper for his success in the development of the Oyu Tolgoi project, including the formation of a strategic partnership with Rio Tinto. He was previously named Developer of the Year in 1996 by the Prospectors and Developers Association of Canada.

Robert holds a degree in political science from Reed College in Oregon, USA.



Peter D Reeve
Chief Executive Officer and Managing Director

Peter was appointed a Director and Chief Executive Officer in February 2007.

Peter has been involved in the Australian resources industry for approximately 25 years after qualifying as a metallurgist in the early 1980s. His industry experience includes positions with Rio Tinto, Shell-Billiton and Normet Consulting, a metallurgical consulting firm, before joining Goldman Sachs/JBWere in Investment Management and Corporate Finance roles relating to the Australian resource industry. In 2001, Peter joined Newcrest Mining Ltd, as part of the Executive Committee responsible for corporate development and market related aspects for the group, a position that he occupied until 2006. Peter is also a director of Ivanplats Syerston Pty Ltd, Ivanplats Holding Company Pty Ltd and Ivanplats Services Pty Ltd (all Australian subsidiaries of Ivanhoe Nickel & Platinum Ltd) as well as Exco Resources.

Peter has a Bachelor of Science (Metallurgy) from RMIT University.



David M Korbin
Non-Executive Director

David was appointed a Director in 2007. A management and financial consultant, David is currently an independent director and chair of the Audit Committee of Ivanhoe Mines. He is also currently a director of the New York Stock Exchange listed Seaspan Corporation (being chair of its audit committee since 2005). David was also a director of E-Comm Emergency Communications for Southwest British Columbia Incorporated, and acted as Chairman of E-Comm's board of directors from 2003 to 2006 and as chair of its audit committee from 2001 to 2004. From 1992 to 2000, he was a director of the Vancouver General Hospital and chair of its audit committee from 1993 to 1994 and also a director of the Vancouver Hospital and Health Sciences Centre being its chair from 1995 to 1998.

David qualified as a Canadian Chartered Accountant in 1966, and prior to 1987 served as managing partner of a number of smaller accounting firms. From 1990 to 1992 he was a managing partner of the Vancouver office of Deloitte & Touche LLP.

4.1. Board of Directors

The Ivanhoe Australia Board comprises:



John A Macken
Non-Executive Director

John was appointed a Director in 2007. He is currently a Director, President and Chief Executive Officer of Ivanhoe Mines. Prior to joining Ivanhoe Mines in 2003, John worked for Freeport McMoran Copper and Gold, most recently as Freeport's Senior Vice-President of Strategic Planning and Development, based in New Orleans. He spent a total of 12 years with Freeport's operating unit, P.T. Freeport Indonesia (PTFI), culminating in the position of Executive Vice-President and General Manager at Freeport's Grasberg mining complex in Papua, the world's largest single copper and gold mine. John is director and Chairman of SouthGobi Energy Resources Ltd. which is a publicly-listed and 79.76%-owned subsidiary of Ivanhoe Mines. He is also a director of various subsidiaries of Ivanhoe Mines.

John has a Bachelor in Engineering (B.A., B.A.(Hon)) from Trinity College, Dublin University, and is a Chartered Engineer with the Institute of Engineers in Ireland.



Peter G Meredith
Non-Executive Director

Peter was appointed a Director in November 2006. He is currently a Director and Deputy Chairman of Ivanhoe Mines. He has also been the Chief Financial Officer of Ivanhoe Capital Corporation since June 1996. Peter is also a Director and the Chief Executive Officer of SouthGobi Energy Resources Ltd. which is a publicly-listed and 79.76%-owned subsidiary of Ivanhoe Mines. Previously, he spent 31 years with Deloitte and Touche LLP, Chartered Accountants.

Peter is a Canadian Chartered Accountant (CA), and a Member of the Institute of Chartered Accountants of British Columbia, the Institute of Chartered Accountants of Ontario and the Ordre des Comptables agréés du Québec. He is also a Certified Management Accountant (CMA), and a Member of the Certified Management Accountants Society of British Columbia and Yukon.



David G Woodall
Non-Executive Director

David was appointed a Director in 2007. David is currently President of Ivanhoe Mines' gold operations, which involves overseeing the advancement of the company's gold exploration and mine development projects, which include, among others, operational development of the Oyu Tolgoi project in Mongolia, the Bakyrchik gold mine development project in Kazakhstan and Ivanhoe Australia's Cloncurry Project in Australia.

Prior to joining Ivanhoe Mines, David acquired extensive mine management experience at underground and open-pit mines in Canada, Australia, Fiji and China. Among numerous mine operation assignments, he worked as Mine General Manager at the CSA copper mine in New South Wales, Musselwhite gold mine in Ontario, Canada, the Kanowna Belle gold mine in Western Australia and the West Angelas iron ore mine. He has worked in senior mine management positions with Robe River, Placer Dome, Sino Gold and WMC Resources.

David has more than 24 years experience in operations, mine development, project evaluation and corporate management roles in gold, base metals and iron ore.

David holds a Bachelor of Science in Mining Engineering, a Graduate Diploma of Business and a Masters of Science in Mineral Economics from Curtin University.



William (Bill) B Hayden
Non-Executive Director

Bill was appointed a Director in November 2006. Bill is a geologist with nearly 30 years experience in the mineral exploration industry, much of which has been in Africa and the Asia-Pacific region. Bill was the founder and President of Ivanhoe Nickel and Platinum Ltd (formerly African Minerals Ltd), a Canadian company which has assembled extensive mineral holdings in South Africa, Zambia and the Democratic Republic of Congo. Since 1986 Bill has worked in a management capacity with several exploration and mining companies both in Australia and overseas. Bill is President of Ivanhoe Philippines, Inc. (an Ivanhoe Mines subsidiary), and a director of Ivanhoe Financial Pty Ltd (another Ivanhoe Mines subsidiary). He is also a director of Ivanhoe Nickel and Platinum Ltd (and its Australian subsidiaries, Ivanplats Syerston Pty Ltd, Ivanplats Holding Company Pty Ltd and Ivanplats Services Pty Ltd), Ivanhoe Agadem Petroleum Limited, Goviex Niger Holdings Ltd, Gold and Copper Resources Pty Ltd, Lucknow Gold Ltd, Terrace Resources Inc. and Pan Palladium Limited.

Bill holds a Bachelor of Science (Hons) in Geology from Sierra Nevada College, Nevada.



Douglas J Kirwin
Non-Executive Director

Doug was appointed a Director in November 2006. A professional geologist, he has spent more than 35 years in the mineral exploration industry, much of which has been in the Asia-Pacific region. He is currently Executive Vice President, Exploration of Ivanhoe Mines, having directed that company's exploration activities since joining in September 1995, and is also director or officer of various Ivanhoe Mines subsidiaries. He was formerly Managing Director, International Geological Services Pty. Ltd and for several years held senior positions with Anglo American and Amax. He has evaluated mineral deposits throughout the Americas, Asia and Europe, and has managed numerous projects in Southeast Asia and Australia.

Doug holds a Master of Science Degree in mineral exploration from James Cook University in Australia. As a member of the joint discovery team of the Hugo Dummett Deposit at Oyu Tolgoi, Mongolia, Doug was a co-recipient of The Prospectors and Developers Association of Canada inaugural Thayer Lindsley medal, awarded for the most significant international mineral discovery in 2004. Doug is the industry advisor for the Society of Applied Geology and China Mining, and was the Society of Economic Geologists International Exchange Lecturer for 2006. He is currently a travelling lecturer for the Society.



Professor Ian R Plimer
Independent Non-Executive Director

Ian was appointed a Director in 2007. Ian is a Professor of Mining Geology at the University of Adelaide, South Australia, and Emeritus Professor of Earth Sciences at the University of Melbourne. He has previously held academic positions as Professor at the Ludwig Maximilians University in Munich, and at the University of Newcastle. His academic career includes the Leopold von Buch Medal for Science, the Centenary Medal and the Eureka Prize (twice).

Ian has previously been on the staff of North Broken Hill Ltd, and is a prominent Australian geologist who has spent most of his industry, consulting and scientific life working on base metal deposits, particularly in Broken Hill, epithermal gold deposits, especially in the Mediterranean, and tungsten-tin-molybdenum deposits. He has predicted and discovered a number of epithermal gold deposits in the Mediterranean.

Ian is a respected scientist, has published 6 books and 130 scientific papers and edited the Academic Press *Encyclopaedia of Geology*. He is a fellow of the Academy of Technological Sciences and Engineering, a Fellow of the Geological Society of London, a Fellow of the Australasian Institute of Mining and Metallurgy and a Fellow of the Australian Institute of Geoscientists.

A Non-Executive Director of CBH Resources Limited and Kefi Minerals Plc, Ian holds a Bachelor of Science (Honours), and a PhD.



Kyle Wightman
Independent Non-Executive Director

Kyle was appointed a Director in 2008. Kyle is an economist, financier and business consultant with over 40 years experience, particularly relating to the feasibility, development and financing of major projects and investments. He has held a number of senior roles, including positions in CRA Limited (now Rio Tinto Limited) as Treasurer-AM&S and Treasurer-Projects; in both Chase Manhattan Bank Australasia and Australia and New Zealand Banking Group Limited as Head of Project & Structured Finance; and in PricewaterhouseCoopers as Director-Projects.

Kyle now advises private and public sector clients on major projects and transactions through his own company, Tait Capital Pty Ltd.

He has been involved in the development and financing of a significant number of major projects, including Argyle Diamonds, Tarong Coal, Mount Channar Iron Ore, Misima Gold, Energy Developments Ltd, Melbourne City Link and the Loy Yang A Power Privatisation.

An independent non-executive director and chairman of the board audit committee of Indophill Resources NL, Kyle holds a Bachelor of Commerce and an MBA, and is a Fellow of the Australian Institute of Company Directors.

4.2. Senior Management

In addition to Peter Reeve, the following are key members of Ivanhoe Australia's management team:

Barry J Goss

General Manager, Development

Barry was appointed as General Manager, Development, of Ivanhoe Australia in 2007. Barry has extensive experience as a geologist, mainly with Western Mining Corporation Limited (WMC), and as an independent consultant in mining and exploration in Australia and overseas, and is credited with the discovery of several ore bodies and reserve additions at operations. Most recently, Barry was General Manager, Corporate Development, for Sedimentary Holdings Ltd.

Barry's career began as an operations based mine and exploration geologist. During his time with WMC he led the team that discovered and delineated the gold resources at Kambalda that later formed the St Ives Gold Operation. This led to roles such as Chief Geologist for WMC in Eastern Australia, and the South-West Pacific region. Other roles with WMC included Project Evaluation Manager within Western Mining Engineering Services, and Manager of Project Studies for the Zarmitan Project in Uzbekistan. He has also held the position of General Manager, Business Development, with Multiplex Mining Pty Ltd.

Barry holds a Fellowship Diploma in Geology from the Royal Melbourne Institute of Technology, and a Masters in Mineral and Energy Economics from Macquarie University. He is a Fellow of the Australasian Institute for Mining and Metallurgy (and therefore a Competent Person for the purposes of JORC), a Chartered Management Professional, and a Member of the Geology Society of Australia.

Paul Carter

Exploration Manager, Cloncurry Project

Paul was appointed Exploration Manager of Ivanhoe Australia's Cloncurry Project in 2007.

Paul has over 15 years experience in gold and copper exploration across a diverse range of locations and mineral systems. Paul has expertise in managing exploration on drilling projects, directing field teams on mapping and multimedia geochemistry programs, and conducting project reviews.

Most recently, Paul spent over 3 years as Exploration Manager for Ivanhoe Mines Mongolia, focussing on exploration outside of the Oyu Tolgoi deposit. Paul has also held roles as Exploration Manager in Mali for Ashanti Goldfields, Senior Geologist in Ghana for Ashanti Goldfields, and Project Geologist for Gencor in South Africa and Ghana.

Paul holds a Bachelor of Science (Honours) in Geology from the University of the Witwatersrand, is a fellow of the Society of Economic Geology and a Member of the Society for Geology Applied to Mineral Deposits.

Paul is registered with the South African Council for Natural Scientific Professions as a Professional Natural Scientist, and a Competent Person for the purposes of JORC.

Darren J Millman

Finance Manager & Company Secretary

Darren was appointed Finance Manager and Company Secretary of Ivanhoe Australia in 2007, following management roles with KPMG in Canada in their Mining Advisory Group and Manufacturing Retail

and Distribution area. Darren's previous roles with KPMG included management roles in the United Kingdom and Australia, and accounting roles based in Melbourne.

In addition to roles with KPMG, Darren has had a management role within audit and consulting at RSM Bird Cameron, and accounting experience with Hall Chadwick Chartered Accountants.

Darren is a Member of the Institute of Chartered Accountants in Australia, and holds a Bachelor of Business Degree (Accounting) from the Victorian University of Technology.

4.3. Employees

As at 30 April 2008, Ivanhoe Australia employed 70 full-time equivalent employees, including 63 on-site and a further 7 in the Melbourne head office.

Ivanhoe Australia also engages contractors and part-time employees to manage fluctuations in its human capital requirements and this has proved to be an effective arrangement.

Ivanhoe Australia has recently shifted a number of its employees from award positions to a collective agreement with the finalisation of an Employee Collective Agreement (ECA). This has proved an effective way to motivate and retain employees.

Employees not governed by the ECA are covered by the Queensland Mining (Non-Coal) Award. Ivanhoe Australia is in compliance with all requirements under this award.

Professional staff remuneration is benchmarked against an industry wide standard and adjusted where necessary.

Ivanhoe Australia has in place a wide range of employee policies which govern the conduct, fair treatment and equal opportunity of all employees to ensure all Ivanhoe Australia staff have the opportunity to contribute positively in the workplace.

Ivanhoe Australia believes it has a strong relationship with its employees and has experienced no industrial action to date (though from time to time the Company receives various employee complaints and claims about procedures and behaviours in the Company and currently there are some issues under investigation).

Ivanhoe Australia has engaged consultants to review organisational and employment practices and implement changes where necessary.

4.4. Relationships with parent and related persons

A number of Ivanhoe Australia's Directors and management have and will continue to have ongoing relationships, roles or associations with Ivanhoe Australia's parent, Ivanhoe Mines, and with entities or persons related or connected to Ivanhoe Mines. In particular, amongst other relationships, roles or associations:

- Robert Friedland is the founder, Executive Chairman and largest shareholder of Ivanhoe Mines (holding a 26.9% interest), Chairman of Ivanhoe Nickel & Platinum Ltd (a Canadian company owned by him or entities he controls as to 25.6%), Chairman and President of Ivanhoe Capital Corporation (a Singapore based company 100% owned by him) and co-founder and Chairman, President and CEO of Ivanhoe Energy Inc. (a Canadian company listed on the NASDAQ and Toronto Stock Exchange and owned by him as to 19.9%);

- Peter Reeve was employed by Ivanhoe Mines until October 2007 when his employment was moved to Ivanhoe Australia. Peter is also a director of Ivanplats Syerston Pty Ltd, Ivanplats Holding Company Pty Ltd and Ivanplats Services Pty Ltd, indirect wholly owned Australian subsidiaries of Ivanhoe Nickel and Platinum Ltd. Ivanplats Syerston Pty Ltd currently owns 2 main assets, a nickel-cobalt project in western New South Wales and a uranium prospect in the Northern Territory (for which an exploration licence has been granted);
- William Hayden is also a director of Ivanhoe Nickel and Platinum Ltd, Ivanplats Syerston Pty Ltd, Ivanplats Holding Company Pty Ltd and Ivanplats Services Pty Ltd. He is also president of Ivanhoe Philippines, Inc. (an Ivanhoe Mines subsidiary) and a director of Ivanhoe Financial Pty Ltd (another Ivanhoe Mines subsidiary) and Ivanhoe Agadem Petroleum Limited (a company wholly owned by Robert Friedland). He is also a director of Pan Palladium Limited, a company in which Ivanhoe Nickel & Platinum Ltd has a strategic interest of approximately 19.4%, and a director of Gold and Copper Resources Pty Ltd;
- Peter Meredith is a director and deputy chairman of Ivanhoe Mines and a director or officer of various other Ivanhoe Mines subsidiaries (including SouthGobi Energy Resources Ltd., of which he is a director and the Chief Executive Officer). He is also a director of Ivanhoe Nickel & Platinum Ltd and Chief Financial Officer of Ivanhoe Capital Corporation;
- Douglas Kirwin is Executive Vice President, Exploration of Ivanhoe Mines and a director of various Ivanhoe Mines subsidiaries;
- John Macken is currently a director, President and Chief Executive Officer of Ivanhoe Mines and a director of various Ivanhoe Mines subsidiaries (including SouthGobi Energy Resources Ltd., of which he is a director and Chairman);
- David Korbin is an independent director of Ivanhoe Mines; and
- David Woodall is President, Gold Division of Ivanhoe Mines and a director of various Ivanhoe Mines subsidiaries.

4.5. Corporate Governance

The Board is committed to ensuring Ivanhoe Australia is properly managed and accordingly, the Directors have adopted enhanced corporate governance policies and practices designed to promote responsible management and conduct of Ivanhoe Australia's business. The main policies and practices currently in place are summarised below. In addition, many governance elements are set out in the Constitution.

The corporate governance structure adopted by Ivanhoe Australia is designed to enable Ivanhoe Australia to generally comply with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations".

Board of Directors

The Board is responsible for the overall corporate governance of Ivanhoe Australia including establishing and monitoring key performance goals. The Board has created a framework for managing Ivanhoe Australia including internal controls, a business risk management process and appropriate ethical standards.

The Board is currently made up of nine Non-Executive Directors (namely Robert Friedland, David Korbin, John Macken, Peter Meredith, William Hayden, Douglas Kirwin, David Woodall, Kyle Wightman and

Ian Plimer) and the Managing Director, Peter Reeve. The Board brings together a broad range of qualifications, extensive industry and public company experience and the balanced skill set that has and is expected to continue to benefit Ivanhoe Australia.

It is the Board's policy that independent Non-Executive Directors should be free from any business or other relationship that could materially compromise their independent judgement. The Board considers a Director to be independent where he or she is not a member of management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the Director's ability to act in the best interests of Ivanhoe Australia or the exercise of the Director's unfettered and independent judgement. The Board will consider the materiality of any given relationship on a case-by-case basis. The Board will review the independence of each Director in light of interests disclosed to the Board from time to time.

The Board includes 2 independent Non-Executive Directors, Kyle Wightman and Ian Plimer.

The Board considers that the Non-Executive Directors, Robert Friedland, David Korbin, John Macken, Peter Meredith, David Woodall and Douglas Kirwin are not independent because they are directors and/or officers of Ivanhoe Mines, which will remain a substantial Shareholder in Ivanhoe Australia following the Offer. The Board also considers that the Non-Executive Director William Hayden is not independent because until May 2006 he was managing director of Ivanhoe Australia and because of his association with Ivanhoe Mines.

Accordingly, a majority of the Board are not independent directors and the Chairman is not an independent director. While this is not in compliance with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations", the Board considers that the composition of the Board is appropriate having regard to the experience and skills of the Directors, to Ivanhoe Mines' continuing high majority shareholding interest in Ivanhoe Australia after the Offer and to Ivanhoe Mines' continuing debt financing of Ivanhoe Australia following the Offer (being that part of the Inter-company Loan not repaid out of the Offer Proceeds).

Board Charter

The Board has a charter that sets out the principles for the operation of the Board and describes the powers, functions and responsibilities of the Board, which include:

- appointing and removing the Chief Executive Officer and management, and determining their conditions of service;
- reviewing the performance, and approving the remuneration (including financial incentives), of the Chief Executive Officer and management;
- establishing and appointing the members of the Nomination, Governance and Remuneration Committee and the Audit and Finance Committee;
- delegating an appropriate level of authority to management;
- monitoring compliance with legal and regulatory requirements and ethical standards;
- monitoring business risks, overseeing the risk management strategy and ensuring effective internal control systems;

- approving the budget, the business plan and compliance policies and monitoring the strategic and financial objectives and performance of Ivanhoe Australia;
- approving annual accounts, reports and other public documents; and
- effectively communicating Ivanhoe Australia's financial position, trading performance and prospects to all stakeholders, in particular, Shareholders and employees.

In dealing with corporate governance matters, Directors are entitled to seek independent professional advice at the expense of Ivanhoe Australia, subject to the Chairman's approval, not to be unreasonably withheld or delayed.

Board Committees

The Board retains ultimate authority over management. However, as is customary, the Board has delegated authority over the day-to-day management of Ivanhoe Australia to the Chief Executive Officer and in turn, to management.

To assist in the execution of its responsibilities, the Board has established a Nomination, Governance and Remuneration Committee, an Audit and Finance Committee and a Safety, Health and Environment Committee. These Committees have written charters.

Nomination, Governance and Remuneration Committee

The Nomination, Governance and Remuneration Committee is responsible for advising the Board on the composition of the Board and its committees, reviewing the performance of the Board and individual Directors, and developing succession plans.

In making recommendations to the Board regarding the appointment of Directors, the Nomination, Governance and Remuneration Committee periodically assesses the appropriate mix of skills, experience and expertise required on the Board and assesses the extent to which the required skills and experience are represented on the Board.

The Nomination, Governance and Remuneration Committee is also responsible for ensuring that the Directors and management are remunerated fairly, and for overseeing the remuneration and human resources policies and practices of Ivanhoe Australia. In addition, the Nomination, Governance and Remuneration Committee is responsible for the implementation and management of the Share Plan as outlined in section 9.9.

The Nomination, Governance and Remuneration Committee is also responsible for ensuring the Board is aware of and complies with corporate governance best practices, and has responsibility for legal and regulatory risk and overseeing disclosure and reporting. The Nomination, Governance and Remuneration Committee may obtain information from, and consult with, management and external advisers, if it considers it appropriate.

The Nomination, Governance and Remuneration Committee consists of the Non-Executive Director Peter Meredith and 2 independent Non-Executive Directors (Kyle Wightman and Ian Plimer), and is chaired by Ian Plimer.

Audit and Finance Committee

The role of the Audit and Finance Committee is to advise on internal controls and appropriate standards for the management of Ivanhoe Australia. The Audit and Finance Committee also confirms the quality and reliability of the financial information prepared, working on behalf of the Board with the external auditor. The Audit and Finance Committee reviews non-audit services provided by the external auditor to confirm that they are consistent with maintaining external audit independence.

The Audit and Finance Committee provides advice to the Board and reports on the status of the business risks to Ivanhoe Australia through its risk management processes aimed at ensuring risks are identified, assessed and properly managed.

The Audit and Finance Committee consists of the Non-Executive Director David Korbin and 2 independent Non-Executive Directors (Kyle Wightman and Ian Plimer), and is chaired by Kyle Wightman.

Safety, Health and Environment Committee

The role of the Safety, Health and Environment Committee is to ensure that the Company has established appropriate practices in the areas of safety, health and environmental management in all of its activities and appropriate compliance and reporting systems in these areas.

The Safety, Health and Environment Committee consists of the Managing Director Peter Reeve, the Non-Executive Director John Macken and 2 independent Non-Executive Directors (Kyle Wightman and Ian Plimer), and is chaired by John Macken.

Continuous disclosure

Ivanhoe Australia has a market disclosure protocol designed to ensure that Ivanhoe Australia complies with the continuous disclosure requirements of the Corporations Act and Listing Rules. All relevant information provided to ASX will be immediately posted on Ivanhoe Australia's corporate website, www.ivanhoeaustralia.com. Ivanhoe Australia's Company Secretary will act as ASX liaison officer to ensure timely and appropriate access to information for all investors.

Communication to Shareholders

The Board aims to ensure that Shareholders are informed of all major developments affecting Ivanhoe Australia's state of affairs. Information will be communicated to Shareholders through Ivanhoe Australia's annual report, annual general meeting, half-yearly results announcements, quarterly mining exploration entity reports, ASX announcements and through the corporate website, www.ivanhoeaustralia.com.

Security Trading Guidelines and Code(s) of Conduct

Ivanhoe Australia has in place written guidelines intended to establish best practice procedures in relation to dealings in securities by Directors, management and employees of Ivanhoe Australia. Ivanhoe Australia also has a statement of values and responsibilities, a corporate code of conduct and a code of conduct for Directors and senior executives which embrace high standards of personal and corporate conduct.



Risk Factors



Ivanhoe Australia's business is subject to both specific risks to its business activities and risks of a general nature. Individually, or in combination, these might adversely affect the future operating and financial performance of Ivanhoe Australia and the value of an investment in Ivanhoe Australia. Some of these risks may be mitigated by the use of contingency plans and safeguards. However, many are outside the control of Ivanhoe Australia. Neither the Directors nor Ivanhoe Australia make any representation or give any guarantee that Ivanhoe Australia will achieve its stated objectives or that forward looking statements made in this Prospectus or otherwise in connection with the Offer will be realised, in whole or in part.

This Section describes some, but not all, of the risks which may be associated with an investment in Ivanhoe Australia. Some risks are also described in the Independent Geologist's Summary Report (see Section 6 of this Prospectus). An investment in Ivanhoe Australia should be considered in light of the risks, both general and specific, outlined below and in the Independent Geologist's Summary Report.

Before deciding whether to invest in Ivanhoe Australia, potential investors should read the entire Prospectus and, in considering the prospects for Ivanhoe Australia, take particular note of the risk factors that could affect the financial performance of Ivanhoe Australia.

Potential investors should consider that the investment in Ivanhoe Australia is speculative and should consult their professional advisers before deciding whether to apply for Shares in Ivanhoe Australia.

5.1. Specific Risk Factors

The business activities of Ivanhoe Australia are subject to a number of specific risks that could affect Ivanhoe Australia and the industry in which it operates. These include:

Exploration and Development

Potential investors should understand that mineral exploration, development and mining are high-risk enterprises, only occasionally providing high rewards. Ivanhoe Australia to date does not have any revenues or operating profit. As well, in addition to the normal competition for prospective ground, and the high average costs of discovery of an economic deposit, factors such as demand for commodities, stock market fluctuations affecting access to new capital, sovereign risk, environmental and weather related issues, labour disruption, project financing difficulties, equipment shortages, foreign currency fluctuations and technical problems all affect the ability of a company to profit from any discovery.

There is no assurance that exploration of the mineral interests currently held by Ivanhoe Australia, or any other projects that may be acquired in the future, will result in the discovery of an economically viable mineral deposit. Even if an apparently viable mineral deposit is identified, there is no guarantee that it can be profitably mined.

The discovery of mineral deposits is dependent upon a number of factors, not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit, once discovered, is also dependent upon a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. In addition, assuming discovery of a commercial ore body, depending on the type of mining operation involved, several years can elapse from the initial phase of drilling until commercial operations are commenced. Most of the above factors are beyond the control of Ivanhoe Australia.

The cost of the proposed exploration program of Ivanhoe Australia described in the Independent Geologist's Summary Report and Section 3.5 of this Prospectus are based on certain estimates and assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions.

Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect Ivanhoe Australia's viability.

Whilst the exploration and development program outlines Ivanhoe Australia's current intentions with regard to each of its projects, the actual expenditure and exploration work undertaken will depend on the results generated. The priority of the prospects, and accordingly expenditure, may be redirected as results are obtained, and therefore actual expenditure may differ materially from budgeted expenditure presented in Table 3.7.

Fluctuation in Commodity Prices

The price of commodities, specifically copper, gold and uranium, will vary over time. Consequently, adverse movements in commodity prices in the future may render projects discussed in the Prospectus unviable.

Further, if Ivanhoe Australia achieves exploration success leading to mining production, its financial performance will be highly dependent upon the prevailing commodity prices which are out of its control. Negative changes in the prices of the commodities Ivanhoe Australia will seek to mine are likely to have a material adverse effect on the financial performance of Ivanhoe Australia.

Further Exploration and Drilling

As set out in this Prospectus, Ivanhoe Australia intends to undertake a comprehensive exploration drilling program in relation to Ivanhoe Australia's mining and exploration tenements. In the event that the planned drilling program produces poorer than expected results, the viability of Ivanhoe Australia's future operations may be diminished.

Operating Expenditure

The plans of Ivanhoe Australia, as set out in this Prospectus, are based on certain assumptions in relation to the level of operating expenditure required to pursue its exploration program. If the level of operating expenditure required is higher than expected, the financial position of Ivanhoe Australia may be adversely affected.

Funding

While Ivanhoe Australia believes it will have sufficient funds after completion of the Offer to meet its capital requirements for its proposed exploration program and other expenses, it may need additional funds, or may seek to develop opportunities of a kind that will require it to raise additional capital from equity or debt sources. It is difficult to predict the level of funding required with accuracy. Any additional equity financing may be dilutive to Shareholders, and debt financing, if available, may involve restrictions on financing and operating activities. There can be no assurance that Ivanhoe Australia will be able to raise such financing on acceptable terms or at all. If Ivanhoe Australia is unable to obtain such additional financing, it may be required to reduce the scope of its anticipated activities, which could adversely affect its business, financial condition and operating results.

Limited Operating History of Ivanhoe Australia

Ivanhoe Australia has limited operating history on which it can base an evaluation of its future prospects. If Ivanhoe Australia's business model does not prove to be profitable, investors may lose their investment.

Ivanhoe Australia's historical financial information is of limited value because of Ivanhoe Australia's lack of operating history and the emerging nature of its business.

The prospects of Ivanhoe Australia must be considered in the light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly in the mineral exploration sector, which has a high level of inherent uncertainty.

Reliance on Key Personnel

Ivanhoe Australia is reliant upon the continued service of key personnel and consultants to maintain and develop its business. The loss of one or more of these key personnel could have an adverse impact on the operations and success of Ivanhoe Australia's business.

As the Company's business activity grows, it will require additional key financial, administrative, mining, marketing and public relations personnel as well as additional staff on the operations side. Although Ivanhoe Australia believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

Availability and Performance of Equipment, Technical Personnel and Contractors

Given the current level of activity across the Australian mining industry, both technical personnel and drill rigs are in short supply. Although Ivanhoe Australia has arrangements for the provision of drilling services to the Cloncurry Project and expects to soon enter new written contacts with its drilling contractors, the new contacts, being annual contacts, will be of a short term nature (see section 3.9). There is also high demand for contractors providing other services to the mining industry. Consequently there is a risk that Ivanhoe Australia may not be able to source all the personnel and equipment required to fulfil its proposed exploration activities, including its planned 2 year programs and budgets.

There is also a risk that hired contractors (including technical personnel) may underperform or that equipment may malfunction, either of which may affect the progress of Ivanhoe Australia's exploration activities.

Native Title and Aboriginal Cultural Heritage

The granting of mining tenements over land requires compliance with native title statutory procedures that are onerous on all parties. Significant delays and expense in the grant or re-grant of Ivanhoe Australia's mining and exploration rights are possible as a result of native title requirements.

Aboriginal cultural heritage objects and areas are protected by State and Commonwealth legislation. Destroying or otherwise harming Aboriginal cultural heritage may result in Ivanhoe Australia incurring significant fines and Court injunctions which may adversely affect exploration and mining activities. This may adversely affect the business operations, prospects and financial results of Ivanhoe Australia.

Within Australia, Commonwealth and State legislation allows for the protection of sites of significance to Aboriginal custom and tradition. Ivanhoe Australia carries out 'clearance surveys' before conducting any exploration work that would disturb the surface of the land. Ivanhoe Australia's tenements are likely to contain some such sites of significance, which would need to be avoided during field programs. It is possible that areas containing mineralisation or an economic resource may also contain sacred sites, in which case they may not be able to be mined.

European Cultural Heritage

Ivanhoe Australia's projects are known to include a number of items of European cultural heritage which are protected by State legislation. If Ivanhoe Australia explores, or decides to develop a mineral deposit in, an area that contains such an item, Ivanhoe may need to take action to ensure that the item is not damaged or disturbed (which may require Ivanhoe Australia to relocate the heritage objects at such a site). This may require expenditure by Ivanhoe Australia and may affect Ivanhoe Australia's capacity to fully develop affected deposits.

Uranium Policy

The Commonwealth Government policy regarding mining and processing of uranium is to allow uranium to be mined in Australia. However there are restrictions on the export of uranium from Australia. The Commonwealth Government's nuclear safeguards policy has been developed to implement Australia's obligations under the Nuclear Non Proliferation Treaty of 1970 (the NNPT) which was ratified by Australia in 1973. Parties to the NNPT agree to accept technical safeguards applied by the International Atomic Energy Agency. This safeguard system tracks uranium within the nuclear fuel cycle from production, through to use and storage and ultimately disposal, to ensure that Australian uranium is sold strictly for electrical power generation and cannot benefit the development of nuclear weapons or other military programs. The Commonwealth Government only allows the sale of Australian uranium to countries which are signatories to the NNPT and have a bilateral nuclear safeguards agreement with Australia.

State government policies, with the exception of South Australia, currently prohibit any new grants of tenements to mine uranium (although mining of uranium in the Northern Territory is subject to Commonwealth Government laws which do not impose the same restrictions). It follows that in order for a ML to be granted to mine uranium in a State, that State government's policies on uranium mining would have to be reversed. Consequently, should Ivanhoe Australia discover an economically viable uranium deposit, it will be unable to mine uranium unless this prohibition is lifted.

Indications of the potential for a policy shift vary between States. The Queensland Government has recently reiterated its opposition to the grant of ML's for uranium.

Disruption to Business Operations

If Ivanhoe Australia achieves exploration success leading to mining activities, it will be subject to a range of operational risks. Such operational risks include equipment failures, IT system failures, external services failure (including energy or water supply), industrial action or disputes and natural disasters. While Ivanhoe Australia will endeavour to take appropriate action to mitigate these operational risks or to insure against them, one or more of these risks may have a material adverse impact on the performance of Ivanhoe Australia.

Occupational Health and Safety

Given Ivanhoe Australia's exploration activities (and especially if it achieves exploration success leading to mining activities), it will face the risk of workplace injuries which may result in workers' compensation claims, related common law claims and potential occupational health and safety prosecutions. Further, the production processes used in conducting any future mining activities of Ivanhoe Australia can be dangerous. Ivanhoe Australia has, and intends to maintain, a range of workplace practices, procedures and policies which will seek to provide a safe and healthy working environment for its employees, visitors and the community.

While Ivanhoe Australia maintains appropriate safeguards in its exploration activities, serious injury to an employee or another person could occur and give rise to liability under occupational health and safety laws and regulations and also under the general law.

Joint Venture Partners

Ivanhoe Australia is, and may become in the future, a party to joint venture agreements governing the exploration and development of its projects. Ivanhoe Australia, in some cases, may not be the manager of the joint venture. Ivanhoe Australia is subject to the risks normally associated with joint ventures, which include disagreements as to how to develop, operate and finance a project. Where a joint venture partner does not act in the best interests of the joint venture, it could have an adverse effect on the interests and prospects of Ivanhoe Australia. Furthermore, the Directors are unable to predict the risk of financial failure, non compliance with obligations or default by a joint venture partner in any joint venture to which Ivanhoe Australia is, or may become, a party. Such an event may have an adverse effect on the interests and prospects of Ivanhoe Australia. Additionally, although Ivanhoe Australia does not believe any former joint venture partners have any enforceable rights against it in relation to previous joint ventures, it is always possible that former (as well as current and future) joint venture partners may claim they have such rights and seek to enforce them against Ivanhoe Australia.

New Projects and Acquisitions

Ivanhoe Australia has acquired, and proposes to actively seek acquisitions that may add value to Ivanhoe Australia. The acquisition of new business opportunities (whether completed or not) may require the payment of monies (as a deposit or exclusivity fee) after only limited due diligence and prior to the completion of comprehensive due diligence. There can be no guarantee that any proposed acquisition will be completed or be successful. If the proposed acquisition is not completed, monies already advanced may not be recoverable, which may have a material adverse effect on Ivanhoe Australia.

If an acquisition is completed, the Board will need to reassess, at that time, the funding allocated to current projects and new projects, which may result in Ivanhoe Australia reallocating funds from other projects or raising additional capital (if available). Furthermore, notwithstanding that an acquisition may proceed upon the completion of due diligence, the usual risks associated with mineral exploration activities will remain.

Exploration Target Mineralisation Estimates

Target mineralisation tonnage estimates for the three development projects described in this Prospectus are within grade shells produced by placing outlines around assayed mineralisation from diamond and other forms of drilling and underground development above a copper or copper equivalent cut-off-grade (Cu% plus 0.4xAu g/t). Estimation of JORC compliant mineral resources may reduce this tonnage by an unknown amount due to the consideration of longer term economic factors, such as metal prices and total production costs, that may require higher cut-off grades to be used than those used to define the grade shells. As further information becomes available through additional exploration and development of Ivanhoe Australia's projects, the estimates may change. This may result in alterations to the exploration and development plans which may, in turn, adversely affect Ivanhoe Australia's operations.

Resource Estimates

Ivanhoe Australia has not as yet published resource estimates for any of the deposits within the Cloncurry Project.

Resource estimates are calculations that incorporate expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when made may change significantly when new information becomes available. In addition, resource estimates are necessarily imprecise and depend to some extent on interpretations, which may prove to be inaccurate.

Historical Information

Ivanhoe Australia has reviewed on drilling results and other historical information produced by previous holders of tenements within the Cloncurry Project. These results have been utilised in part in formulating its exploration strategy. In the event that any of this historical information proves to be inaccurate, the effectiveness of the exploration strategy may be diminished.

Payment Obligations and other work commitments

Under the terms of Ivanhoe Australia's tenements, the joint ventures and other contractual agreements to which Ivanhoe Australia is or may in the future become a party, Ivanhoe Australia is or may become subject to payment obligations and other work commitments. Failure to meet these work commitments may render the tenement or licence liable to be cancelled. Further, if any contractual obligations are not complied with when due, in addition to any other remedies that may be available to other parties, this could result in dilution or forfeiture of the interest held by Ivanhoe Australia.

Tenement Title

Interests in tenements in Queensland are governed by legislation and are evidenced by the granting of licences. Each licence is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, Ivanhoe Australia could lose title to or its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments as and when they arise.

All of the tenements in which Ivanhoe Australia has or may earn an interest in will be subject to applications for renewal or grant (as the case may be). The renewal or grant of the term of each tenement is usually at the discretion of the relevant government authority. If a tenement is not renewed or granted, Ivanhoe Australia may suffer significant damage through loss of the opportunity to develop and discover any mineral resources on that tenement.

For further information on Ivanhoe Australia's tenements, refer to the Solicitor's Report on Mining Tenements in Section 8 of this Prospectus.

Environmental

Ivanhoe Australia's projects are subject to Australian laws and regulations in relation to environmental matters, which means there are potential liability and project risks. In addition, Ivanhoe Australia must comply fully with the environmental approval requirements attached to the tenements, including express conditions for exploration licences as set out in the Solicitor's Report on Mining Tenements in Section 8 of this Prospectus.

Although Ivanhoe Australia intends to conduct its operations in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities, which could subject Ivanhoe Australia to liability. Further, the cost and complexity of complying with the applicable environmental laws and regulations may affect the viability of its potential developments on its

mineral deposits. Additionally, Ivanhoe Australia may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent Ivanhoe Australia from undertaking its desired activities. Ivanhoe Australia is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase Ivanhoe Australia's cost of doing business or affect its operations in any area.

There can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige Ivanhoe Australia to incur significant expenses and undertake significant investments in such respect which could have a material adverse effect on Ivanhoe Australia's business, financial condition and operating results.

Environmental hazards may exist on the properties in which Ivanhoe Australia holds interests which are presently unknown to Ivanhoe Australia and which have been caused by previous or existing third party owners or operators of the properties. Non-compliance with such law and regulations, either through current or future operations or pre-existing conditions could materially adversely affect Ivanhoe Australia.

Finalisation of Arrangements Regarding Water Licences and Access Rights

The inability of Ivanhoe Australia to secure or retain an adequate and reliable water supply for future mining operations would have a material adverse effect on the future of Ivanhoe Australia and could potentially prevent the development of Ivanhoe Cloncurry's mining and exploration rights. Water resources will need to be defined and acquired prior to establishment of a processing plant. At this stage, the Company does not have sufficient water entitlements should it wish to commence mining and production.

Permits Required for Development Studies or Mining

If Ivanhoe Australia discovers an economically viable mineral deposit, it will, among other things, require various permits and approvals before it will be able to mine the deposit. It may also require permits and approvals for the conduct of certain studies required as part of any pre-feasibility studies. There is no guarantee that Ivanhoe Australia will be able to obtain all such required permits and approvals.

Transportation

The economic viability of any future mining operations which may be undertaken by Ivanhoe Australia is highly dependent upon securing reliable and competitively priced transportation for Ivanhoe Australia's commodities, whether that transportation is by road, rail or sea. The inability of Ivanhoe Australia to secure such transportation would have a material adverse effect on Ivanhoe Australia's future financial performance.

Ivanhoe Mines as controlling shareholder

After the completion of this offering, Ivanhoe Mines will beneficially own 80% of Ivanhoe Australia's Shares. As a result, Ivanhoe Mines will have the ability to substantially influence all matters requiring shareholder approval, including the election of Ivanhoe Australia's directors and the approval of significant corporate transactions, such as mergers, tender offers, and the sale of all or substantially all of Ivanhoe Australia's assets. The interests of Ivanhoe Mines and its affiliates could conflict with or differ from your interests as a holder of Ivanhoe Australia's Shares. Ivanhoe Mines may also pursue acquisition opportunities that may be complementary to Ivanhoe Australia's business, and as a result, those acquisition opportunities may be not available to Ivanhoe Australia.

Ivanhoe Australia's share price could be affected by events at the level of its majority shareholder, Ivanhoe Mines. For example, Ivanhoe Australia's share price may be affected if there is a takeover bid for Ivanhoe Mines, a proposed merger of Ivanhoe Mines with another entity or if Ivanhoe Mines were to go into liquidation or administration.

A sale of a substantial number of Shares in the future by Ivanhoe Mines could cause the price of the Shares to decline in the future.

Currency and Exchange Rate Fluctuations

The exchange rate between various currencies may fluctuate substantially and the result of these fluctuations may have a material adverse impact on Ivanhoe Australia's future operating margins and financial position. More specifically, Ivanhoe Australia's ability to export any commodities produced by its operations may be adversely affected by positive movements in the A\$ exchange rate.

Competition from Alternative Energy and Public Perception

Nuclear energy is in direct competition with other, more conventional sources of energy which include oil, gas, coal and hydro-electricity. These conventional energy sources may be provided at a lower cost resulting in a decrease in demand for uranium.

Furthermore, the growth of the nuclear power industry (with an attendant increase in the demand for uranium) beyond its current level will depend upon continued and increased acceptance of nuclear technology as a means of generating electricity. The nuclear industry is currently subject to divided public opinion due to political, technological and environmental factors. This may have an adverse impact on the demand for uranium and increase the regulation of uranium mining.

One of the arguments for nuclear energy is its substantially reduced level of carbon emissions. Alternative energy systems such as wind or solar also have very low levels, if any, of carbon emissions. However, to date these have not been efficient enough to be relied upon. Technology changes may occur that make alternative energy systems more efficient and reliable.

State Government Mineral Royalties

The Queensland Government recently proposed raising base metal royalty rates in the 2008 State Budget. This includes an intention to revise variable royalty rates from the current levels of between 1.5% to 4.5%, to levels of between 2.5% to 5.0%, with effect from January 2011. This may impact the economic viability of developing the Company's projects.

5.2. General Risk Factors

In addition to the specific investment risks set out above, potential investors should be aware of the following general risk factors.

Economic Conditions

The performance of Ivanhoe Australia may be influenced by the general condition of the Australian and global economy. Changes in interest rates, employment rates, exchange rates, inflation, consumer spending, access to debt and capital markets and government fiscal, monetary and regulatory policies may affect Ivanhoe Australia's business and operating profits.

Legal and Regulatory Changes

Mining operations and exploration activities are subject to extensive laws and regulations. These relate to production, development, exploration, exports, imports, native title, cultural heritage, taxes and royalties, labour standards, occupational health, waste disposal, protection and remediation of the environment, mine decommissioning and reclamation, mine safety, toxic substances, transportation safety and emergency response and other matters.

Compliance with these laws and regulations increases the costs of exploring, drilling, developing, constructing, operating and closing mines and other facilities. It is possible that the costs, delays and other effects associated with these laws and may impact Ivanhoe Australia's decision as to whether to proceed with exploration or development of properties. Since legal requirements change frequently, are subject to interpretation and may be enforced to varying degrees in practice, Ivanhoe Australia is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Furthermore, changes in regulations and policies and practices could have an adverse impact on Ivanhoe Australia's future cash flows, earnings, results of operations and financial condition.

Investing in the Stock Market

There are a number of risks associated with any stock market investment. The price of Shares on ASX may rise or fall and as such the Shares offered pursuant to this Prospectus may trade on ASX at higher or lower prices than the Application Price following Listing. Investors who decide to sell their Shares after Listing may not receive the full amount or any of their original investment.

The price at which the Shares trade on ASX may be affected by the financial performance of Ivanhoe Australia and by numerous external factors over which the Directors and Ivanhoe Australia have no control. These factors include movements in local and international stock exchanges, local interest rates and exchange rates, commodity prices, residential and international economic and political conditions, government taxation, market supply, competition and demand and other legal, regulatory or policy changes.

Liquidity and Realisation Risk

There can be no guarantee that an active market in the Shares will develop or continue or that the price of the Shares will increase. If a market does not develop or is not sustained, it may be difficult for investors to sell their Shares at a price that is attractive to them or at all. There may be relatively few, or many potential buyers or sellers of the Shares on ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price that Applicants paid.

Liquidity could also be adversely affected if the allocation of Offer Shares under the Offer results in a relatively low number of Shareholders (and it should be noted that, in addition to the 80% Ivanhoe Mines' holding of Shares, following allocation of Shares under the Offer, there may be other Shareholders with a substantial (> 5%) shareholding).

Insurance

It is not always possible to obtain insurance against all risks and Ivanhoe Australia may decide not to insure against certain risks as a result of high premiums or other reasons. The occurrence of an event that is not fully covered, or covered at all, by insurance, could have a material adverse effect on Ivanhoe Australia's financial condition, results of operations and cash flows and could lead to a decline in the value of the Shares.

General Nature of Investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by Ivanhoe Australia or by investors in Ivanhoe Australia. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of Ivanhoe Australia and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Independent Geologist's Summary Report

This Section contains Goldner and Associates' summary report on its independent technical review of the mineral exploration projects and joint venture interests of Ivanhoe Australia in the Cloncurry District of northwest Queensland (Independent Geologist's Summary Report). This Independent Geologist's Summary Report is a summary version of Goldner and Associates' full report on its independent technical review of those mineral exploration projects and joint venture interests (Independent Geologist's Full Report).

The Independent Geologist's Full Report is incorporated by reference into this Prospectus under subsection 712(3) of the Corporations Act and a copy has been lodged with ASIC. You have the right to obtain a copy of it free of charge and may do so by contacting the Ivanhoe Australia Offer Information Line on 1300 301 687 (within Australia) or +61 3 9415 4294 (from outside Australia) or by visiting Ivanhoe Australia's website, <http://www.ivanhoeaustralia.com/s/Prospectus.asp> (no website information, other than what is specifically indicated herein, is incorporated in this Prospectus). You should consider the information in the Independent Geologist's Summary Report in order to decide whether to obtain a copy of the Independent Geologist's Full Report.

The Independent Geologist's Summary Report and the Independent Geologist's Full Report have only taken into account information obtained by the Independent Geologist up to 30 April 2008.

The Independent Geologist's Summary Report and the Independent Geologist's Full Report (including the information therein that relates to exploration results) have been prepared by Peter Goldner who is not an employee of the Company but is the managing director of the Independent Geologist and a Fellow of the Australasian Institute of Mining and Metallurgy and also a Fellow of The Australian Institute of Geoscientists. Peter Goldner has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a 'Competent Person' as defined in JORC. Peter Goldner consents to the inclusion in the Prospectus of the matters based on his information (being the Independent Geologist's Summary Report and the Independent Geologist's Full Report) in the form and context in which it appears.





GOLDNER & ASSOCIATES

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30 May 2008

The Directors
 Ivanhoe Australia Limited
 Level 9, 479 St Kilda Road
 MELBOURNE, 3004

Dear Sirs,

SUMMARY REPORT - IVANHOE AUSTRALIA LIMITED'S CLONCURRY PROJECT

Prepared by
GOLDNER AND ASSOCIATES

INTRODUCTION

Goldner and Associates ("GA") has been requested by the Board of Directors of Ivanhoe Australia Limited ACN 107 689 878 ("IAL" or "the Company") to prepare this summary report ("the Summary Report") as an independent technical review of IAL's Cloncurry Project (or the Project) in Northwest Queensland. This Summary Report represents a synopsis of a more comprehensive Independent Geologist's Report ("IGR") prepared by GA which can be obtained from IAL or its brokers and is also available on IAL's website at <http://www.ivanhoeaustralia.com/s/Prospectus.asp>. While this document summarises the more salient aspects of IAL's prospects and activities it does not represent a complete review of all aspects of IAL's Cloncurry Project and interested parties are encouraged to read GA's full IGR. The datum for this Summary Report and the Full IGR is 30 April 2008.

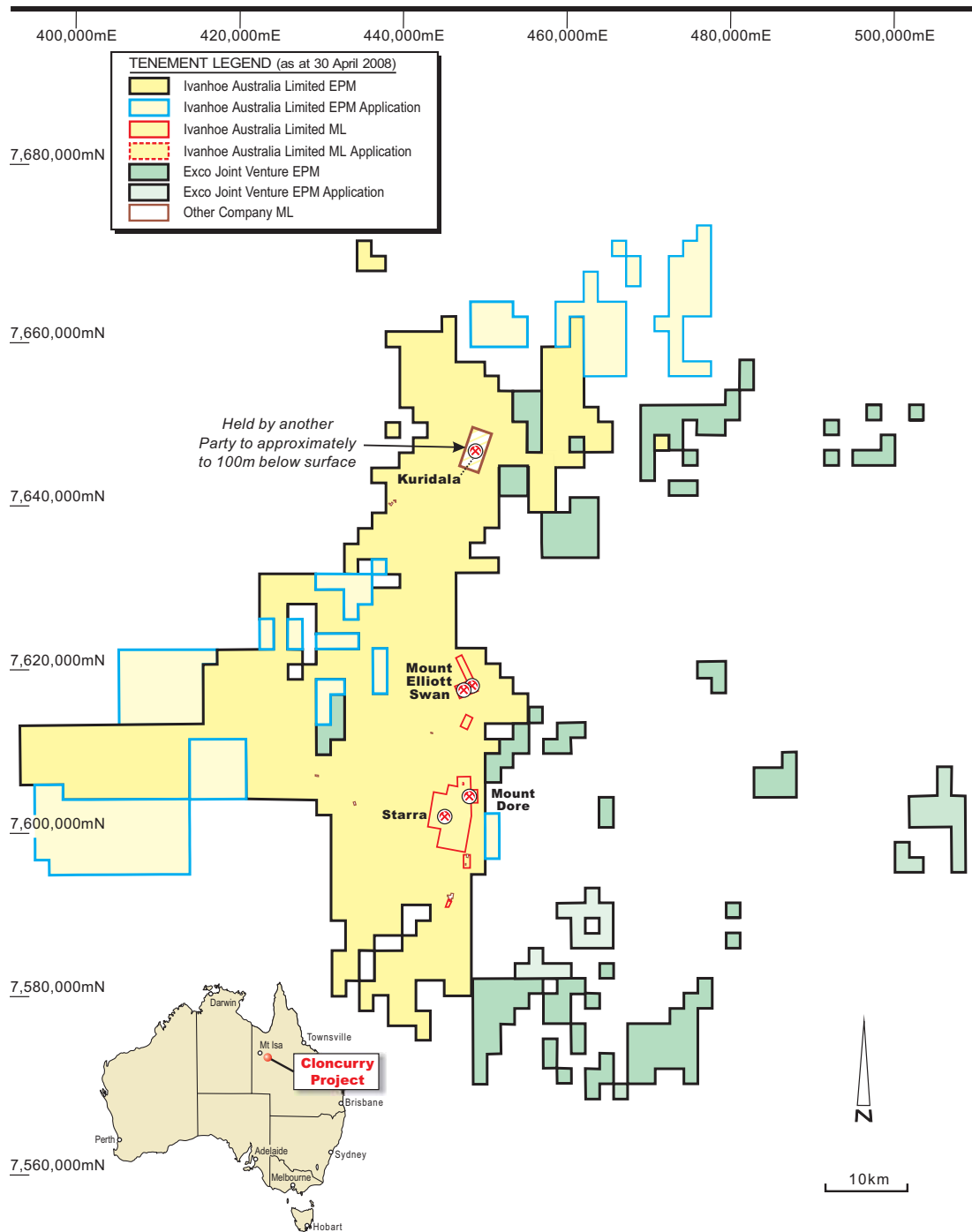
The Cloncurry Project (Figure 1) consists of a portfolio of, mainly contiguous exploration and mining tenements in which IAL has a 100% equity interest centred some 100km south of Cloncurry in Northwest Queensland and additional adjacent and nearby tenements in which the Company is earning an interest through a joint venture arrangement with Exco Resources Limited ("Exco"). In this report the joint venture is referred to as the Exco-Ivanhoe Exploration Joint Venture ("E-IEJV") and the tenements subject to this joint venture are referred to herein as the 'Exco JV tenements'.

This Summary report has been prepared solely for inclusion in the IAL prospectus dated on or about 24 June 2008 relating to the proposed equity raising of A\$125 million by the issue of up to 62.5 million fully paid ordinary shares at an offer price of A\$2.00 per share and should not be used or relied upon for any other purpose. Neither the whole nor any part of this report nor any reference thereto may be included in or with or attached to any document or used for any other purpose, without GA's written consent to the form and context in which it appears.

The appropriate professional standards for the preparation of independent expert reports are encompassed in the provisions of the VALMIN Code¹ of the Australasian Institute of Mining and Metallurgy ("The AusIMM") and the Australian Institute of Geoscientists ("AIG"). As far as practical the VALMIN Code has been observed in the preparation of this Summary Report and the full IGR².

¹ Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports – The VALMIN Code; 2005 Edition

² For the purposes of the VALMIN Code, the present report is a Technical Report, which deals with the Technical Assessment of Mineral Assets and does not address matters such as a Valuation Report, Vendor Consideration, Opinion on Securities or the fairness and reasonableness of a transaction relating to a Mineral Asset.



Ivanhoe Australia Limited

Cloncurry Project Tenements

Figure 1

Goldner and Associates

Unless otherwise indicated all dollar amounts in this Summary Report refer to Australian Dollars (“\$”).

This Summary Report is based on data made available to GA by IAL up to 30 April 2008. At this date drill testing was continuing at the Mount Elliott and Mount Dore Projects and assays remained outstanding for a number of holes already completed. Consequently GA is neither able to draw conclusions with respect to any results that may be received by IAL after 30 April 2008 nor whether these results could materially change the views expressed in this report with respect to the overall assessed prospectivity of the prospects. It is likely that some additional results will be received by IAL between 30 April 2008 and the lodgement of the prospectus.

SCOPE

This Summary Report includes a brief description of the geology, mineralisation and exploration history of the Cloncurry Project area and includes a discussion of results from prior exploration as well as the results of IAL’s work to 30 April 2008. A summary of IAL’s planned exploration programs and budgets is also included.

The information provided in this Summary Report and the Full IGR is primarily based on information provided by IAL. GA’s assessment of the various prospects is based on technical reviews of Project data and a site visit as well as the writer’s own knowledge of the Project area. Discussions were held with technical and managerial staff concerning IAL’s proposed business strategy as well as the proposed exploration programs and budgets. However any forecasts and projections cannot be assured and factors both within and beyond the control of IAL could cause the results to be materially different from GA’s assessments and projections contained in this Summary Report.

GA QUALIFICATIONS

GA specialises in technical due diligence and review work on exploration and mining projects. GA has been involved in numerous such studies and has prepared a number of Independent Geologist’s Reports for inclusion in prospectuses. GA’s principal, Peter Goldner has a detailed knowledge of the prior exploration undertaken within the area covered by the IAL tenements from his previous role as Exploration Manager for Arimco Mining Pty Limited (“Arimco”)³. Arimco was involved in the mining and exploration of the area from the mid 1980s to 1999 and managed the project between 1993 and 1999.

PROJECT BACKGROUND

IAL’s Cloncurry Project (as at 30 April 2008) consists of two distinct tenement packages, the IAL tenements, totalling approximately 2,460 km², in which the Company has a 100% legal interest, and the Exco JV tenements totalling about 560km², in which the Company can acquire an 80% interest by spending \$5 million on exploration within 3 years. The details with respect to the IAL tenements and the Exco JV tenements are provided in the Solicitor’s report on mining tenements elsewhere in this prospectus and GA has relied on these details in the preparation of both this Summary Report and the full IGR.

The IAL tenements, the majority of which were acquired in 2003, contain a diverse range of mineral deposit styles including copper-gold sulphide deposits, secondary copper deposits and at least one gold-only deposit as well as numerous copper-gold, secondary copper and uranium prospects.

Apart from some historical production from Mount Elliott in the early 1900s, the main period of recent mining activity commenced in 1988 and ceased in early 2003 when the mill and much of the associated infrastructure was sold. During this time production was mainly sourced from five separate mines (known as the 222/224, 244, 251, 257 and 276 mines) developed along a 5.4km long strike length of the Western Ironstones (the Starra Line series of mines) and from a mine at Mount Elliott (from 1993) approximately 18km north of the Starra Line mines.

Ore from the Starra Line series of mines, Mount Elliott and, for a very short period, from two small open pits at Victoria and one open pit at Lady Ella, was treated through a mill located adjacent to the Starra Line mines. This mill has now been removed. Project production since start-up in 1987 to closure in 2003 totalled approximately 217,700 tonnes of copper and 1.02 million ounces of gold from a mined tonnage of approximately 12.9 million

³ Any production or other information relating to Arimco in this Summary Report has been developed by GA based solely on the knowledge it itself possesses through the knowledge of Peter Goldner who consents to the inclusion in this Summary Report and the full IGR (and the resulting inclusion in the Prospectus) of any statements described as being made by him or said to be based on statements by him in the form and context in which they are included.

tonnes averaging 3.10g/t Au and 2.38% Cu⁴. A more detailed Project history and the available recorded production from each deposit is provided in GA's full IGR.

As part of its acquisition of the Project from the Receiver of Selwyn Mines, IAL obtained an extensive and valuable database of technical information relating to the mining and exploration undertaken by the previous Project owners. IAL has applied for a number of additional EPMS since its acquisition of the tenements previously held by Selwyn Mines. A farm-in joint venture with Exco on the Exco JV tenements was negotiated in mid 2007 and under this arrangement IAL has the option to acquire an 80% interest in the Exco JV tenements by spending \$5million by 14 May 2010. This agreement is described in more detail in other sections of this prospectus. Exco has recently agreed to extend the Period One expenditure phase, during which IAL must spend at least \$600,000, to the end of July 2008.

At this stage IAL has not fully assessed and validated the extensive drill hole database it acquired as part of its acquisition of the IAL tenements. Consequently at the date of this Summary Report the Company has not re-estimated resources for any of the deposits within its current Project area. IAL is currently pattern drilling at the Swan zone, in the Mount Elliott Project and has commenced in-fill drilling at the Mount Dore Project. It is anticipated that preliminary resource estimates for these deposits, in accordance with the Australian JORC Code⁵ and Canadian National Instrument⁶ 43-101, may be undertaken following the completion of the next phase of drilling at the Swan zone.

The last publicly available resource estimates for deposits within the IAL tenements are provided in Table 8.2 of GA's full IGR as a matter of disclosure and historical record. Although they were estimated in accordance with earlier versions of the JORC code, *for the purposes of this report they are not currently considered to be resources under either the current JORC or NI 43-101 codes*. IAL has advised that it intends to undertake resource estimates for the Mount Elliott and Mount Dore projects after completion of the current drilling programs. In addition it also intends to re-estimate the residual resources available at the 222 and 276 Starra Line project deposits in the light of the significantly improved metal price regime.

Since commencing exploration in January 2004 to 30 April 2008 IAL has spent in excess of \$48 million on exploration of the IAL tenements. In addition to this amount IAL incurred costs of approximately \$9.12 million in the acquisition of the IAL tenements and remaining infrastructure. The Company has also lodged bonds of over \$3.67 million with the Queensland DME. IAL's work to date on the IAL tenements has largely concentrated on a number of Iron Oxide Copper Gold ("IOCG") prospects, and the Company is currently focussing its exploration efforts on the Swan zone where drill testing is continuing. IAL has also recently undertaken additional drill testing of the Mount Dore secondary copper deposit located adjacent to the company's site camp and also undertaken uranium-focused exploration at a number of prospects in the northern part of the IAL tenements.

REGIONAL GEOLOGICAL SETTING AND MINERALISATION

IAL's Cloncurry Project area covers a large portion of the southern and central sections of the Eastern Succession of the Proterozoic Mount Isa Inlier which is acknowledged as a world class base metal province. As well as a number of large base metal deposits, the Eastern Succession also contains significant deposits and occurrences of rock phosphate, uranium and gold (Figure 2). In the Cloncurry Project area the Proterozoic units consist of an interlayered sequence of extensively deformed metasediments, with some metavolcanics, intruded by granitoids and dolerites of the Williams Batholith. In the southern and eastern portions of the Project area, the Proterozoic basement units are overlain by younger sediments.

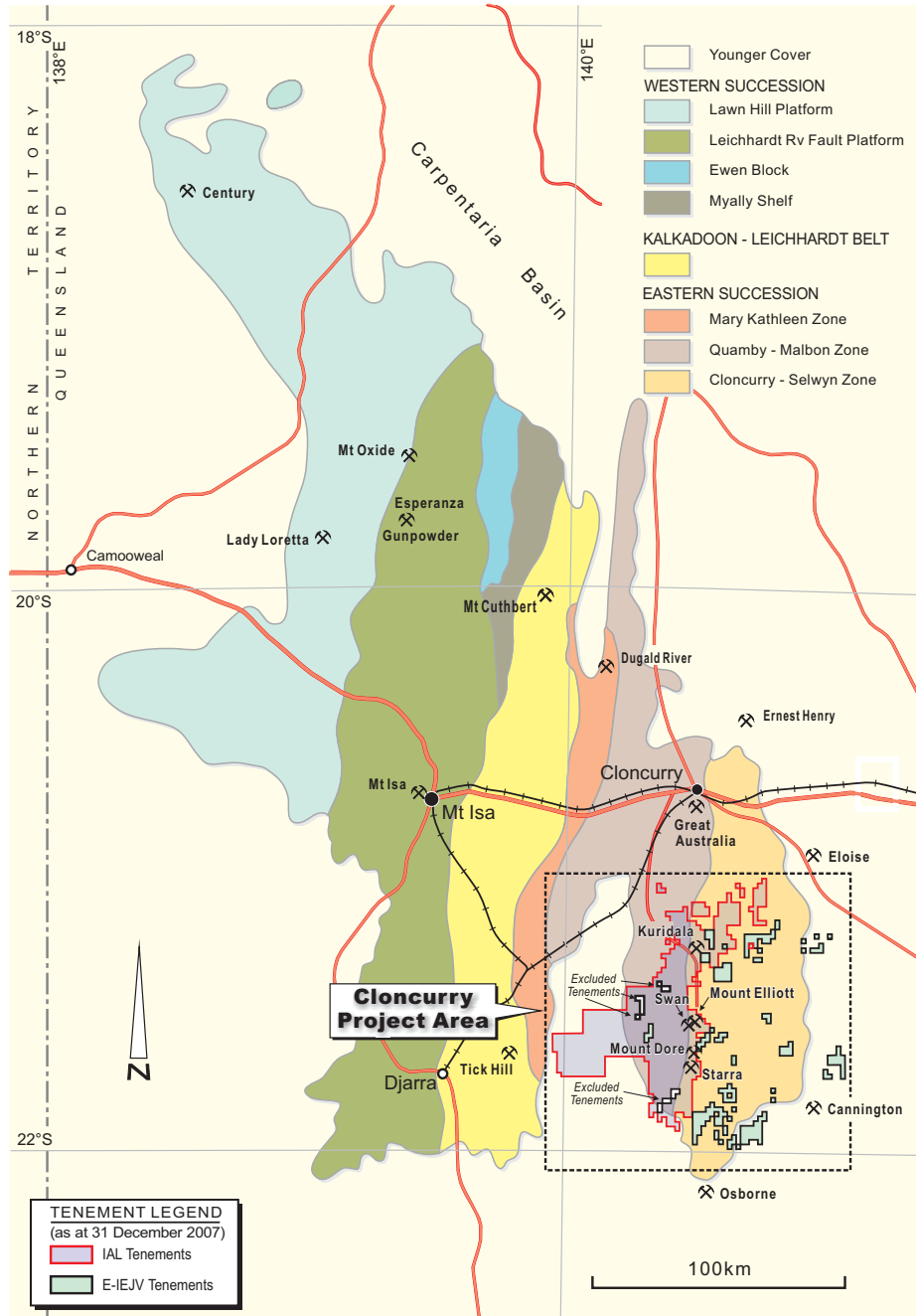
The Eastern Succession contains many diverse mineral deposits which include, but are not limited to:

- IOCG deposits - these are well represented in the province and include the Ernest Henry, Osborne and Starra Line deposits (the latter is within the IAL tenements).
- Metasomatic copper – gold deposits - the Mount Elliott and Kuridala deposits, both within the IAL tenements, are examples of this style with the mineralisation hosted within carbonaceous shales that have been altered and mineralised by calc-silicate rich hydrothermal fluids. Some of these deposits may be a sub-type of the IOCG deposits above.
- Sediment-hosted silver – lead - zinc deposits are represented by the Dugald River deposit which is hosted

⁴ Estimate prepared by GA

⁵ Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – The JORC Code 2004 Edition

⁶ National Instrument 43-101- Standards of Disclosure for Mineral Projects (The Canadian equivalent of the JORC Code)



Ivanhoe Australia Limited

Regional Setting

Figure 2

Goldner and Associates

in carbonaceous shales.

- Broken Hill-Type silver – lead - zinc deposits occurring in high grade metamorphic rocks are represented by the large Cannington deposit.
- Gold-only mineralisation is uncommon. The mined out Tick Hill deposit is however a significant exception and consisted of extremely high grade gold mineralisation in deformed banded metasediments. The mineralisation is probably of hydrothermal origin. A low grade gold-only deposit, known as Blitzen, occurs within the IAL tenements.
- Secondary copper (\pm cobalt, \pm gold) deposits occur throughout the Eastern Succession in the surface to near -surface environment above primary sulphides. Some of these deposits can contain potentially significant cobalt and/or gold associated with the copper. There are numerous examples of this style of mineralisation within the IAL tenements, the Mount Dore deposit being the most significant example.
- Uranium deposits are represented by the previous uranium mine at Mary Kathleen. Here uraninite, as inclusions within allanite, is hosted by a garnetiferous breccia conglomerate near the contact with granite.

Extensive previous exploration within the area of the IAL tenements resulted in the discovery of numerous copper-gold and copper deposits and a number of these have been mined in the past. In particular a series of five IOCG deposits were developed and mined along the Starra Line and a metasomatic deposit (probably a variant of the IOCG-style of mineralisation) was developed and mined at Mount Elliott.

A number of the IOCG deposits (Ernest Henry, Osborne and Eloise) and the large Cannington silver-lead-zinc deposit were all discovered in areas where the Proterozoic sequences are covered by substantial thicknesses of younger unmineralised cover units and owe their discovery to the application of modern geophysical techniques.

In GA's opinion the two largest IOCG deposits, Ernest Henry (located 38km north of Cloncurry and owned by Xstrata Copper North Queensland) and Osborne located about 50km south of Starra Line and owned by Barrick, provide useful and appropriate target benchmarks for IAL's exploration for this style of deposit within their Cloncurry Project area. Pre-mining resources for Ernest Henry were 132 Mt at 1.12% Cu and 0.6g/t Au⁷ and for Osborne pre-mining resources were 36 Mt at 2% Cu, 1.5g/t Au (including 13 Mt at 3.6% Cu, 1.5g/t Au)⁸.

IAL'S CLONCURRY PROJECT

In this section the locations of the various prospects are described by reference to the previous main mine areas of Starra, Mount Elliott and Kuridala and these reference locations are shown on the figures included in this Summary Report. When used as a location reference, Starra is mid-way along the 5.4km strike length that hosts the five IOCG deposits (222/224, 244, 251, 257 and 276). Although IAL's Cloncurry Project consists of both the IAL tenements and the Exco JV tenements, IAL's exploration to 30 April 2008 has been largely concentrated to the IAL tenements and exploration within the Exco JV tenements has only recently commenced with a data review and some site visits to selected areas. Three diamond core holes have also been drilled at the Wewak prospect. Consequently the discussion below refers to prospects within IAL tenements unless specifically indicated otherwise.

IAL's acquisition of the tenements held by Selwyn Mines in 2003 was principally motivated by the view that the area had significant potential to host large IOCG deposits with secondary targets being the potential for secondary copper deposits which could be processed by solvent extraction electrowinning techniques and uranium-dominant deposits. To date a number of the IOCG prospects have been explored to varying degrees with the most advanced being the Swan zone where a large drilling program has been initiated and is ongoing. In addition IAL has commenced in-fill drilling at the Mount Dore secondary copper deposit. The Company has also commenced exploration for uranium-dominant deposits with a high resolution airborne geophysical survey over three selected portions of the IAL tenements. Recently drill testing was undertaken on the Robert Heg prospect where historical exploration by previous explorers had established the presence of uranium mineralisation.

Data Quality

In the preparation of this report GA has not undertaken a detailed audit of the geological database held by IAL for completeness or accuracy. The very extensive database of prior exploration results, particularly the drilling data, represents valuable information to guide future exploration and provide a realistic overview of each prospect for the purposes of this Prospectus. Based on the writer's previous detailed experience with the Project

⁷ Register of Australian Mining 1995/96. (Pub. Resource Information Unit).

⁸ Adsheed, N.D. and Keogh, D. 1993. Exploration history and current status of the Osborne copper-gold project. Symposium on recent advances in the Mount Isa Block. Australian Institute of Geoscientists Bulletin 13, p41-42.

area, GA believes the historical data is of generally good quality, was collected using appropriate industry quality assurance and quality control (“QA/QC”) procedures, and in most cases is suitable for inclusion in a database for use in future resource determinations. However because of the age and variability of some of the historical data it is likely that its suitability for inclusion into a database used for future resource estimations by IAL will need to be assessed on a case by case basis. An extensive, well catalogued, collection of drill core and reverse circulation percussion (“RCP”) samples from the drilling by previous explorers is stored on site and is available for re-logging and re-sampling as required.

IAL has recently implemented the QA/QC protocol used at Oyu Tolgoi Project in Mongolia in which Ivanhoe Mines headquartered in Canada has a major interest. This protocol has been established to meet the exacting requirements of Canadian National Instrument 43-101 and has resulted in even more rigorous procedures with respect to sample handling, transportation and assay laboratory performance, being implemented by IAL. Details of both the prior company and IAL’s previous sampling and assaying procedures as well as the recently adopted upgrades are provided in GA’s full IGR.

A number of the Exco JV tenements have been subjected to significant prior exploration both by companies that held the areas prior to Exco and also by Exco and/or its joint venture partners. GA has not reviewed the historical information and is therefore unable to comment on the quality of the historical data.

Summary Features of IOCG Deposits

In the preparation of this summary GA has relied on a number of published papers by various authors in a volume dedicated to this style of deposit⁹. The features of IOCG deposits provided in Table 1 have been selectively chosen by GA to provide an insight to IAL’s acquisition of the Cloncurry Project and to also explain the Company’s exploration strategy.

⁹ *Hydrothermal Iron Oxide Copper-Gold and Related Deposits: A Global Perspective (2000) Ed Porter TM*

TABLE 1
COMPARISON OF IOCG DEPOSIT CHARACTERISTICS WITH
PROSPECTS IN THE CLONCURRY PROJECT AREA

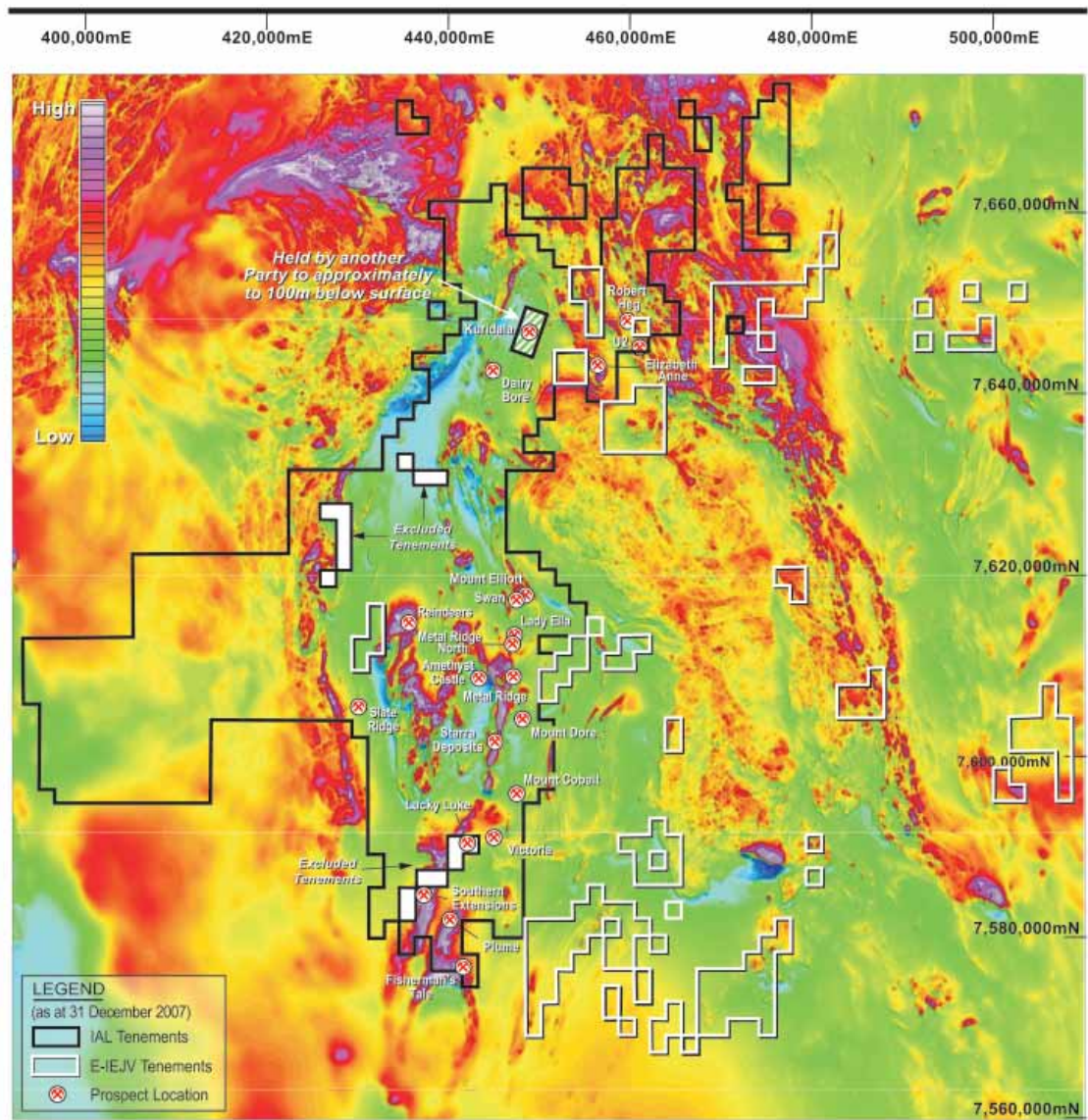
IOCG DEPOSIT CHARACTERISTICS	CLONCURRY PROJECT
<p>Host Rocks Hosted in variable rock types including felsic to intermediate/basic metavolcanics and metasediments.</p>	Extensive development of metasediments.
<p>Igneous Association Association with igneous activity and usually spatially and temporally related to significant magmatic events.</p>	Numerous granitic intrusives occur within the Project tenements and are spatially and temporally related to many of the known deposits.
<p>Structural Setting Usually localised along high and low-angle faults which are often splay off major crustal scale faults.</p>	The Mount Dore Fault zone is a regionally extensive (> 60km strike) fault zone. Many of the known deposits and prospects are located along splay structures (Mount Elliott Project, Metal Ridge North etc).
<p>Deposit Morphology Deposits occur in a variety of morphologies ranging from stratabound sheets, to irregular stockwork breccia zones. Virtually all deposits formed by the replacement of the host rock.</p>	The Mount Elliott/Corbould and Swan zones have been formed by metasomatic replacement of the host unit. Amethyst Castle has a clear association with breccias. Starra Line Project deposits occur as often folded, stratabound sheets.
<p>Mineralogy Characterised by the presence of iron oxide minerals, usually magnetite ± hematite and there is a comparative lack of sulphides. Almost all the deposits contain rare earths.</p>	The Starra Line Project deposits occur within a magnetite ± hematite ironstone horizon. Magnetite, in varying quantities, is present in other deposits, including Mount Elliott. The Swan zone is known to contain rare earths.
<p>Alteration Host rocks are typically intensely altered. Generally associated with sodic, calcic and potassic alteration and alteration systems tend to be aerially extensive.</p>	The Cloncurry Project is characterised by extensive (locally termed) "red rock" alteration, typically consisting of sodic alteration (generally in the form of albite) accompanied by a strong "dusting" of hematite which gives rise to the local Red Rock terminology.
<p>Metals Deposits are generally mined for copper with gold (or other metals as a credit). Gold grades are generally less than 1g/t Au. Chalcopyrite is the dominant sulphide.</p>	The deposits at both the Starra Line and Mount Elliott Projects have a gold content greater than 1g/t Au. Economically gold is more valuable than copper in the Starra Line deposits, the reverse applies at the Mount Elliott Project.
<p>Geophysical Signature The geophysical signatures are variable but often include:</p> <ul style="list-style-type: none"> • Anomalously high magnetic responses but the deposits are not always coincident with the anomalies. • Gravity highs are often coincident with the mineralisation. • Some deposits have a high radiometric response although radiometrics are not frequently used as an exploration tool. • Conductivity anomalies as the sulphides as well as magnetite and hematite are all conductive. IP and resistivity methods have been successfully used in exploration. 	<ul style="list-style-type: none"> • Strong magnetic anomalies are associated with the Starra Line mineralisation and very prominent magnetic anomalies are associated with Swan zone and Metal Ridge North. Amethyst Castle is atypical as it is located in an area of subdued magnetics. There is a coincident airborne radiometric anomaly over the Swan zone. • Gravity surveys have been undertaken by IAL and results indicate that a gravity anomaly is associated with the Swan zone • Patchy high uranium values have been obtained from drill core from the Swan zone. No surface radiometric surveying has been undertaken. • Conductivity anomalies are associated with the Metal Ridge North area and although numerous conductivity features are present in the Amethyst Castle area results are somewhat enigmatic.

Many of the IOCG deposits have a strong magnetic signature and airborne magnetic surveying has proved to be a useful tool in early exploration to identify targets for more detailed evaluation. Figure 3 is an image derived from an airborne magnetic survey covering the Cloncurry Project area and clearly shows the strong magnetic signature of the host sequence to the Starra Line Project IOCG deposits as well as a magnetic anomaly over the Mount Elliott Project area.

IRON OXIDE COPPER-GOLD (± URANIUM) PROSPECTS

(i) Mount Elliott Project

This area is located approximately 18km north of Starra Line Project and immediately east of the main access road from Cloncurry. It consists of a large complex copper-gold mineralised system containing a number of



The image based on data obtained from an airborne survey flown in 1990-1991

Ivanhoe Australia Limited

**Total Magnetic Intensity Image
Cloncurry Project Tenements**

Figure 3

Goldner and Associates

copper-gold deposits and anomalies including:

- the Mount Elliott-Corbould high-grade copper-gold deposit,
- the nearby Swan (an acronym for Southwest Anomaly) zone,
- the Swell (an acronym for Southwest Elliott) zone,
- the Swan North magnetic anomaly,
- the Northern Gossans magnetic and geochemical anomalies.

The Mount Elliott deposit is hosted within a northwesterly striking, fault-bounded sequence of calc-silicate altered and bleached phyllites and carbonaceous siltstones belonging to the Kuridala Formation. Three separate zones of high-grade copper-gold mineralisation have been recognised at Mount Elliott: The Upper, Lower and Corbould Zones, each being localised within dilational structures with varying orientations. Ore grade mineralisation consists of irregular veins and open spaced fillings of massive sulphides (usually chalcopyrite with associated pyrite and pyrrhotite) within a broader envelope of lesser grade mineralisation. Metabasalt, which is usually un-mineralised, has been recognised in close proximity to mineralisation in both the Mount Elliott Lower Zone and the Corbould Zone and may prove to be a useful marker unit in more regional exploration. The metabasalt unit has been recognised at surface, adjacent to the Corbould zone and can be traced to the northwest, probably at least to the Northern Gossans area some 500m northwest of Mount Elliott.

The Swan zone, the main focus of IAL's current exploration, is located approximately 700m west of the Mount Elliott portal and only about 300m from the underground development within the Corbould zone at Mount Elliott. At surface the Swan zone consists of an outcropping, limonite-rich gossanous cap above a deeply weathered ferruginous and brecciated, magnetite-rich calc-silicate unit similar to the Mount Elliott-Corbould host unit. Previous drilling in this area confirmed the presence of a deeply oxidised copper-gold deposit displaying a distinct vertical zonation due to the effects of oxidation.

Detailed ground magnetic and gravity surveys by IAL have outlined a complex series of strong magnetic and gravity anomalies over the known deposits. As shown on Figure 4b there is a very large and intense north northwesterly-trending magnetic high over the Swan zone with a smaller high, surrounded by magnetic lows over Mount Elliott but none over the Corbould zone. Other magnetic highs are present over the Swell zone, north of the Swan zone and at Northern Gossans.

An initial phase of drilling undertaken in 2004 is now being augmented with substantial follow-up drilling designed to cover the entire area of the large Swan zone and Swan North magnetic anomalies at a hole spacing of 100m. This program consists of a number of deep holes designed to evaluate the depth extent of the Swan zone. Recently step-out drilling has been undertaken to determine the relationship of the Swan zone to the nearby Swell zone and Mount Elliott/Corbould zones.

To 30 April 2008 IAL had completed 104 core holes totalling 88,155m in the Mount Elliott Project area and additional drilling is underway. Assays were still outstanding for a number of the completed holes. The majority of holes drilled 60° towards the west.

The current phase of drilling has intersected steeply dipping zones of copper sulphides hosted within brecciated metasediments, metabasalts and magnetite-rich ironstone horizons. The drilling to date (based on holes for which assay results had been received) has intersected IOCG-style mineralisation over a north-south strike length of about 1.25km (17150 North to 18400 North). The Swan zone system appears to be plunging to the north and some of the northern holes have intersected wide zones of copper-gold mineralisation as indicated on the Table 2 showing selected significant intercepts from IAL's drilling to date. Recent drilling to evaluate the potential northern extensions to the Swell and Mount Elliott/Corbould zones and in the gap area between the Swan and Swell zones has confirmed presence of visible mineralisation and has narrowed the previous 500m gap between the Swan and Swell zones to about 150m. Assay results for this drilling are awaited.

High grade zones of massive sulphide mineralisation have been intersected in a number of holes including MEHQ1130 (see Table 2) on the western margin of the Swan zone. This high grade mineralisation is similar in style to the mineralisation previously mined from underground at Mount Elliott/Corbould and confirms that high grade, massive sulphide zones occur within the Swan zone system. Additional holes drilled to specifically further evaluate the high grade intercept in MEHQ1130 include the two daughter holes drilled as wedges from MEHQ1130 (MEHQ1130a and 1130b) as well as hole MEHQ1149 and scissor hole MEHQ1118. Hole MEHQ1130b intersected a narrower high grade zone 20m below the intercept in MEHQ1130 (see Table 2). The mineralised intercept in MEHQ1118, approximately 150m above the high grade zone in MEHQ1130, was more typical of the overall Swan zone.

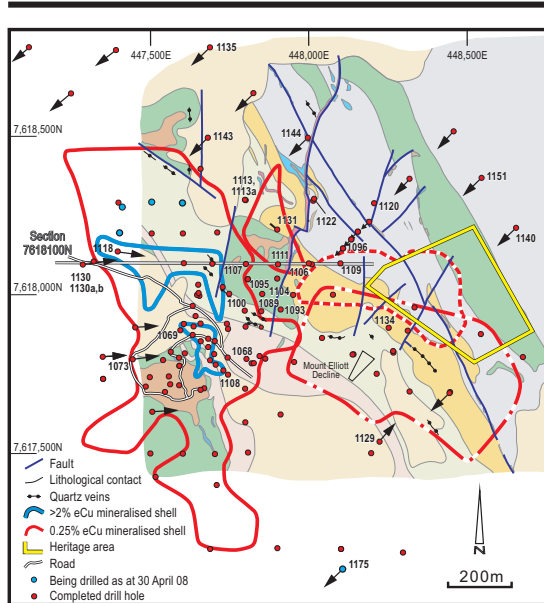


Figure 4a
Geology

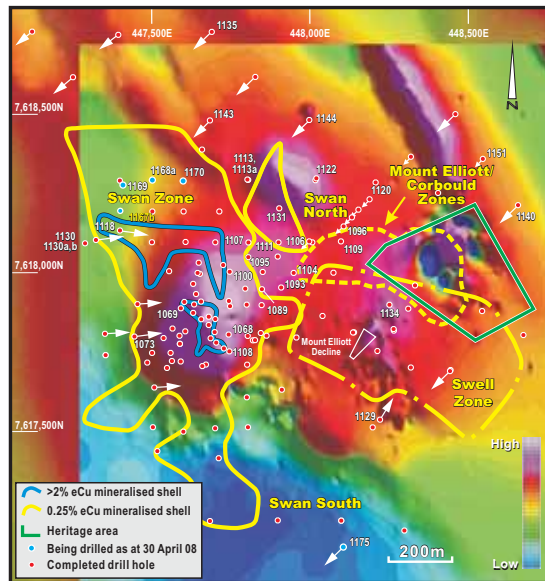


Figure 4b
**Magnetics (Reduced to pole)
and IAL Drill Holes**

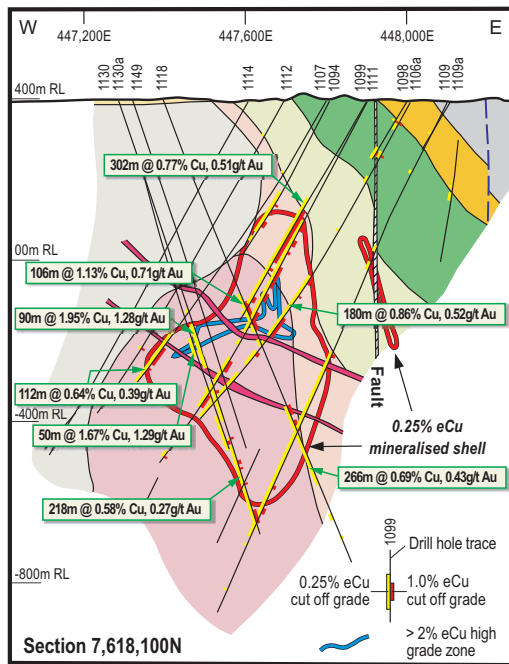
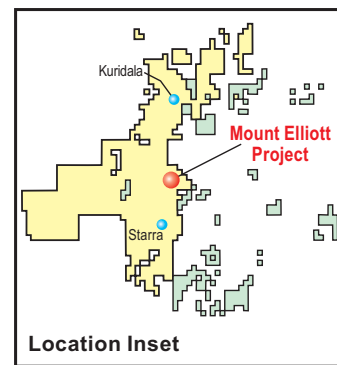


Figure 4c
Cross Section 7,618,100N

LEGEND

Alluvium	Phyllite
Conglomerate-sandstone	Sediments, calc-sediments
Microdiorite	Ironstone
Basalt, amphibolite, metadolomite	Gossan
Shale, slate, siltstone, chert, phyllite	Breccia
Schist	Marble

1. Only the last four digits of the hole number is shown
2. All holes are drilled Grid West unless shown with a directional tick



Ivanhoe Australia Limited

Mount Elliott Project

IAL currently interprets this high grade zone as a north dipping feature within the western portion of the Swan zone at a depth below surface of about 700m. Infill drilling will further evaluate this zone.

TABLE 2
SELECTED SIGNIFICANT INTERCEPTS
FROM IAL DRILLING AT THE MOUNT ELLIOTT PROJECT
(as at 30 April 2008)
Intercepts are based on 0.25% eCu and 1% eCu cut-off grades

Hole No	Intercept (m)	From (m)	Cu (%)	Au (g/t)	U3O8 (ppm)	Hole No	Intercept (m)	From (m)	Cu (%)	Au (g/t)	U3O8 (ppm)
MEHQ1068	172.4	8	0.88	0.55	N/A	MEHQ1113a	201.5	804.5	0.47	0.24	78
MEHQ1069	117	45	1.06	0.72	N/A	includes	36	912	1.18	0.68	171
and	28	176	0.71	0.46	N/A	MEHQ1118	106	512	1.13	0.71	201
MEHQ1073	164	105	0.93	0.48	N/A	and	90	634	0.63	0.32	199
includes	87	115	1.27	0.56	N/A	and	266	758	0.69	0.43	40
MEHQ1089	182	183	0.61	0.32	54	includes	26	814	1.70	1.29	82
MEHQ1093	123	207	0.80	0.55	53	MEHQ1120	8	572	0.63	0.33	50
MEHQ1095	290	230	0.74	0.62	88	44	1274	0.93	0.55	108	
includes	34	233	1.03	0.84	226	include	32	1278	1.09	0.64	102
MEHQ1096	145	401	0.68	0.43	36	MEHQ1122	44	278	0.94	0.83	141
includes	89	440	0.98	0.61	59	and	26	334	0.41	0.35	80
MEHQ1100	21	116	0.51	0.33	47	MEHQ1129	122	344	0.75	0.31	152
and	16	156	1.00	0.13	20	includes	54	358	1.21	0.51	161
MEHQ1104'	80	263	0.52	0.37	69	MEHQ1130	90	582	1.95	1.28	54
and	58	753	1.63	0.94	61	includes	54	582	2.92	1.85	68
includes	39	753	1.70	1.15	77	and	218	894	0.58	0.27	78
plus	8	803	3.26	1.06	29	MEHQ1130a	102.6	583.4	1.44	1.03	27
MEHQ1106	28	51	0.81	0.36	16	includes	64.6	583.4	1.99	1.47	22
includes	6	57	1.41	3.51	30	MEHQ1130b	50	612	1.67	1.29	9
and	180	498	0.86	0.52	13	includes	48	614	1.71	1.32	6
includes	56	620	1.48	0.82	11	MEHQ1131	124	830	0.67	0.37	64
MEHQ1107	112	687	0.64	0.39	44	includes	6	854	1.61	1.00	129
includes	52	731	1.06	0.63	32	MEHQ1134	34	390	0.58	0.20	6
MEHQ1108	149	12	0.58	0.35	40	and	82	720	0.82	0.43	28
includes	21	18	1.23	1.20	43	includes	42	740	1.30	0.70	41
MEHQ1109	502	680	0.40	0.23	36	MEHQ1135	12	138	0.51	0.24	16
MEHQ1111	315	330	0.65	0.49	66	and	108	924	0.37	0.20	85
includes	17	343	1.00	0.82	103	MEHQ1143	104	648	0.84	0.47	30
plus	8	416	1.20	0.78	29	includes	46	648	1.05	0.66	62
plus	23	533	1.24	1.10	126	and	144	764	1.17	0.66	89
and	56	807	0.66	0.51	145	includes	138	766	1.21	0.68	85
MEHQ1113	89	176	0.57	0.41	80	MEHQ1144	28	314	0.61	0.35	92
includes	45	220	0.85	0.58	117	MEHQ1151	92	456	0.43	0.20	9
and	28	276	0.74	0.38	88	and	14	974	0.56	0.25	6
includes	15	280	0.99	0.50	102						
and	108.7	704	0.66	0.40	61						
includes	62	724	0.98	0.62	73						

Notes:

1. All intervals are down hole intercepts. There is insufficient data to estimate true widths.
2. Equivalence formula: $eCu\% = Cu\% + 0.4 \times g/t Au$. Assumes a copper price of US\$ 2.6/lb and a gold price of US\$ 715/oz.
3. Maximum internal dilution of 10m down hole.
4. Samples containing below the detection limit are treated as containing zero.
5. Any intervals recorded as "no sample", "core loss" or "insufficient sample for assaying" are treated as zero grade.

Strongly anomalous, but patchy, uranium values occur in a number of IAL holes with the highest uranium results being obtained from hole MEHQ1095 which yielded two 1m intervals of 1,651ppm (0.17%) U₃O₈ from 254m and 2,594ppm (0.26%) U₃O₈ from a down hole depth of 262m. Initially uranium was only determined for samples containing more than 0.75% Cu however since early 2007 uranium is routinely determined for all Swan zone drill hole samples.

In GA's opinion the Company's drilling to date has confirmed that the Swan zone mineralised system is far larger than previously understood and has resulted in significant extensions of the Swan zone to the north and at depth with some very substantial intersections of copper-gold (± uranium) mineralisation being obtained.

Elsewhere in the Mount Elliott Project, the gap between the Swan and Swell zones has been significantly reduced and the Swell mineralised zone, located between the Mount Elliott and Swan zones, remains incompletely drill tested. In the interpreted Swell zone, at over 300m below surface, most earlier holes by

previous explorers intersected broad, low grade, disseminated sulphide mineralisation. Historically the best down hole intercepts in the Swell zone include 67m at 0.70% Cu, 0.5g/t Au at about 500m vertical depth (hole MEQ96-303) and 12m at 1.51% Cu, 0.88g/t Au from 95m and 30m at 1.27% Cu, 0.51g/t Au from 168m (underground hole MEQ03-1049). A recent hole by IAL appears to have negated the up-dip potential of the Swell zone however a vertical hole (MEHQ 1147) from the same collar location intersected visible copper sulphide mineralisation between 325 and 400m and assays are awaited.

IAL are currently assessing the possibility of re-opening the Mount Elliott decline and establishing underground access to the Swan zone to provide suitable sites for further drill testing from underground.

The Northern Gossans area, located northwest of Mount Elliott, has a similar geological setting to the Corbould zone at Mount Elliott. Sporadic drill testing since the 1990s yielded some narrow, low grade, but nevertheless encouraging, results. Copper and gold anomalism has been indicated by soil sampling and limited shallow airtrac drilling at the Central Leases and Northern Leases prospects, located along strike to the northwest of the Northern Gossans zone. IAL have recently remapped the Central Leases and Northern Leases prospects and the Company has identified numerous ironstone bodies (associated with metasomatism of metasediments along faults) in both prospect areas. At Central Leases initial rock chip sampling of the ironstones has returned encouraging results of up to 6.47% Cu and 8.23g/t Au along with anomalous cobalt (up to 1440ppm Co) and uranium (up to 328ppm U_3O_8) values from other samples collected at these prospects. Previous company geophysical and soil survey results are being compiled and integrated with IAL's results to define targets for follow-up drilling. Drilling of the ironstone horizons at Northern Leases is planned for early in 2008.

Apart from its detailed drilling pattern (100m drill hole spacing) of the Swan zone and Swan North area the company intends to cover the entire area from south of the Swan zone to the Northern Leases in the north and from Swan zone in the west to east of the Mount Elliott zone at an initial drill hole spacing of 500m and then progressively drilling at 200m and 100m drill holes spacing as dictated by results from the wider spaced drilling program.

In GA's opinion the IAL drilling to date has confirmed that the Mount Elliott Project mineralised system is far larger than previously understood and there is excellent potential that further systematic drilling may define a significant resource.

ii) Amethyst Castle

This prospect, which consists of a number of small prospecting shafts in areas of surface copper mineralisation, is located in an area of poor outcrop approximately 7km northwest of the Starra Line Project and 1km west of the Starra Line – Mount Elliott Project access road. The prospect, which lies west of the interpreted northern extension of the Western Ironstones, has been periodically explored by a number of groups since the mid 1960s.

The prospect area is defined by the 250ppm Cu contour derived from a previous grid-based soil survey. Two mapped breccia zones, coincident with higher grade copper-in-soil values, occur within the copper anomaly. The prospect geology remains poorly understood due to the poor outcrop however oxide copper-gold mineralisation at surface is associated with two large (400m by 600m) quartz veined polymictic milled hydrothermal breccia bodies. A number of shallow dipping quartz-hematite ± amethyst veins and vein breccias up to several metres thick are present.

Previous exploration, including diamond drilling, by a number of companies within a 500m by 300m area of hematite-silica breccia intersected encouraging copper values including 9m at 1.98% Cu from a depth of 57.2m (DDH 2) and 3.4m at 3.41% Cu from a depth of 76.4m (DDH 9). Gold was not determined in the diamond drilling program however sampling of some discarded core by IAL yielded encouraging copper, gold and uranium results including 7.16% Cu, 1.66g/t Au and 0.87% U_3O_8 .

The combination of encouraging copper, gold and uranium values associated with the strong hematite alteration and the presence of an airborne uranium radiometric anomaly provides encouragement that the prospect had potential for IOCG-style mineralisation.

IAL has undertaken a number of geophysical surveys over the Amethyst Castle area including induced polarisation ("IP") and Sub Audio Magnetic ("SAM") surveys with the latter survey delineating a complex pattern of conductivity anomalies with no clear correlation with either the breccia zones or the known mineralisation. IAL has completed 14 RCP holes and 9 diamond core holes at Amethyst Castle and significant results are shown on the table included on Figure 5. Holes ACRC-06-001, 009 and 010 tested shallow east

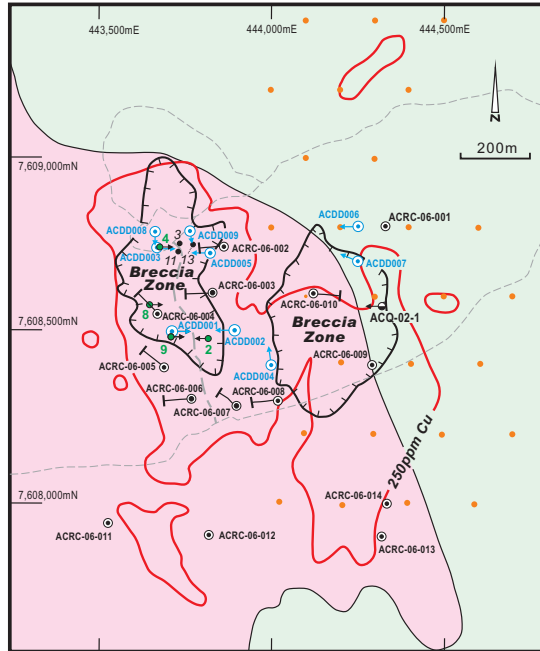


Figure 5a
Simplified Geology

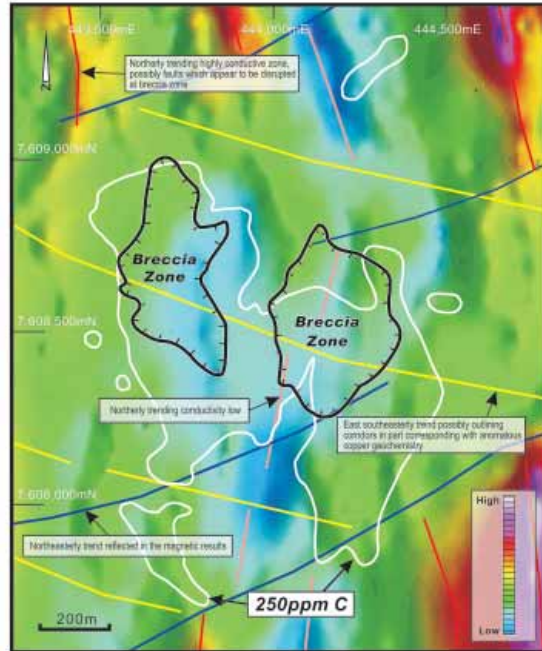
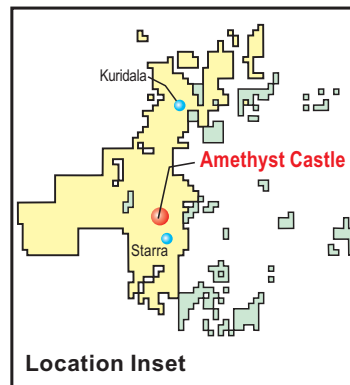


Figure 5b
SAM Survey Conductivity Features
with Interpreted Prominent
Geophysical Trends

Geology Legend

- Metasediments
- Mica Schists and Granite
- Completed Ivanhoe diamond holes
ACRC-06-006
- Completed Ivanhoe RCP holes
ACDD002
- Ivanhoe airtrac holes
- Other company core holes
ACQ-02-1
- Other company airtrac holes
13

SELECTED SIGNIFICANT IAL INTERCEPTS					
Intercepts based on a cut-off of 0.25% Cu or 1 g/t Au.					
Hole No.	Intercept (m)	From (m)	Cu (%)	Au (g/t)	U3O8 (ppm)
RCP Holes					
ACRC-06-001	20	80	0.57	0.02	201
ACRC-06-004	6	34	0.64	0.29	269
ACRC-06-006	10	56	0.77	0.79	77
and	36	146	0.64	0.25	39
ACRC-06-009	36	118	0.63	0.46	241
includes	8	146	2.02	1.59	769
ACRC-06-010	22	8	0.24	0.65	49
and	14	80	0.28	0.32	281
Diamond Holes					
ACDD-002	17	215	0.36	0.04	98
and	10	473	0.46	0.11	110
ACDD-003	17	37	3.47	2.18	115
includes	11	38	5.11	3.32	135
ACDD-004	8	162	0.43	0.26	150
ACDD-006	19	187	0.65	0.67	132
includes	8	187	1.32	1.41	224
and	7	222	4.26	2.75	62
includes	6	223	4.90	3.00	59
ACDD-007	11	20	0.22	0.44	64
and	9	247	0.04	4.18	339



- Notes:
- All intervals are down hole intercepts. There is insufficient data to estimate true widths.
 - Equivalence formula: eCu% = Cu% + 0.4 x g/t Au. Assumes a copper price of US\$ 2.6/lb and a gold price of US\$ 715/oz.
 - Maximum internal dilution of 10m down hole.
 - Samples containing below the detection limit are treated as containing zero.
 - Any no sample, core loss or insufficient sample for assaying

Ivanhoe Australia Limited

Amethyst Castle Prospect

Figure 5

Goldner and Associates

dipping chargeability anomalies in the northeastern portion of the prospect and each hole intersected mineralisation at the predicted target. Hole ACRC-06-014 tested a steeply dipping chargeability anomaly in the southeast of the prospect area. While there appears to be a correlation between high copper and gold values this is not the case at lower copper values. All elevated uranium values occur with high copper \pm gold.

A detailed gravity survey over the area did not show the typical gravity-high features commonly associated with IOCG deposits such as Olympic Dam and Prominent Hill in South Australia. Recently IAL completed a reconnaissance geochemical survey using a Niton XRF analyser to test termite mounds in the Amethyst Castle area for copper and uranium. This work has returned encouraging copper results of similar magnitude to the earlier soil surveying results as well as anomalous copper values from termite mounds adjacent to the soil anomalies which require follow-up investigation.

While the Amethyst Castle prospect has a number of the geological attributes of an IOCG deposit, the geophysical responses obtained, particularly the magnetic and gravity, are somewhat atypical of this style of mineralisation. Further field work on this prospect is planned for early 2008.

(iii) Metal Ridge North

This prospect, consisting of a magnetic anomaly coincident with a copper-in-soil geochemical anomaly and abundant malachite mineralisation at surface, is located approximately 6km south of Mount Elliott and 10km north of Starra Line Project. The prospect is in a generally similar setting to the Mount Dore deposit to the south and the Mount Elliott deposit to the north, being hosted within altered and brecciated black shale units of the Kuridala Formation and situated within the Mount Dore Fault Zone. Small amounts of oxide copper mineralisation (principally chrysocolla and malachite) have been mined from numerous small pits and shafts, probably in the early 1900s.

Exploration by previous Project owners included a number of grid based soil and rock chip sampling programs, costeaning, ground magnetics and limited, shallow, open hole drilling. This work defined a 1500m long by up to 450m wide copper anomaly (>200ppm Cu, with associated lead and zinc anomalism) coincident with a strong airborne magnetic anomaly. Subsequent costeaning across the geochemical anomaly intersected broad zones of low-grade copper and gold mineralisation within breccias adjacent to the granite contact. The best costean results were 28m averaging 1.17% Cu and 0.17g/t Au and 100m at 0.47% Cu and 0.14g/t Au. Follow-up shallow (maximum vertical depth of 38m) percussion drilling obtained a best result of 20m at 1.52% Cu and 0.15g/t Au from a down hole depth of 14m.

IAL has completed a SAM geophysical survey over a 1500m long by 1000m wide grid which delineated a strong, linear, north-south trending magnetic anomaly interpreted to represent the Mount Dore Fault Zone (Figure 6b). At surface, this zone is represented by the large zone of red rock alteration immediately west of the Mount Dore Granite (Figure 6a). "Red rock" is a local term for alteration in the Cloncurry district which typically consists of sodic alteration (generally in the form of albite) accompanied by a strong "dusting" of hematite which gives rise to the local red rock terminology.

Six diamond core holes and seven RCP holes were drilled by IAL to test the SAM magnetic and conductivity anomalies as well as to evaluate some of the areas of surface mineralisation. Hole locations are shown on Figure 6a with some of the more encouraging intercepts shown on the table adjacent to the legend. From the work to date two styles of mineralisation have been recognised at Metal Ridge North:

- black shale hosted pyrrhotite-chalcocopyrite-pyrite stockwork veins and
- disseminated chalcocopyrite- pyrite \pm molybdenite-sphalerite and galena associated with red rock alteration.

Both styles are generally associated with north-trending, steeply east-dipping shear zones related to the Mount Dore Fault.

In GA's opinion the results obtained from IAL's geophysical surveys and subsequent drill testing at Metal Ridge North are encouraging and at this stage supports the concept of IOCG-style mineralisation. The IAL drilling results are strongly anomalous and justify additional detailed exploration of this prospect.

(iv) Starra Line Project

The Starra Line Project IOCG deposits occur within the magnetite-rich Western Ironstones, one of two sub-parallel iron-rich horizons within the lower part of the Staveley Formation. The Eastern Ironstones are hematite-rich and to date have not been found to host economic grade mineralisation. The previously mined gold-copper deposits occur as shear controlled, tabular and sometimes folded, lenses dipping steeply east. Four of the

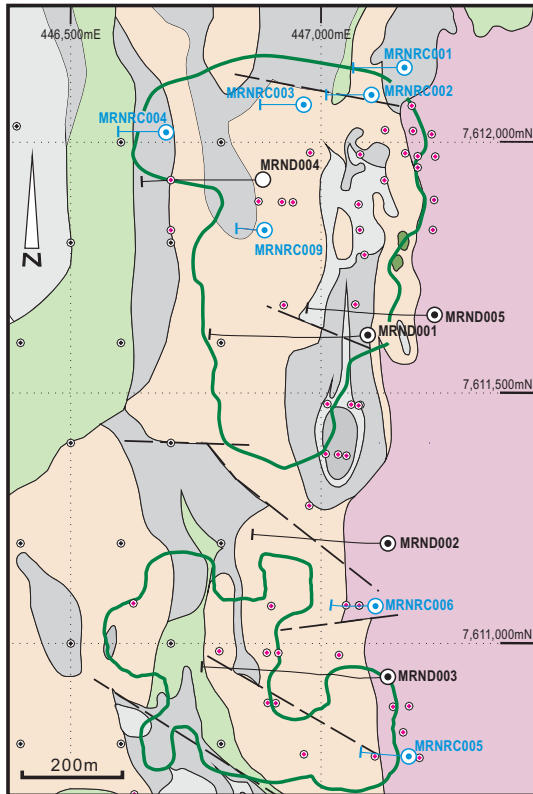


Figure 6a

Geology with IAL Drill Holes
(Other Company drill hole numbers omitted)

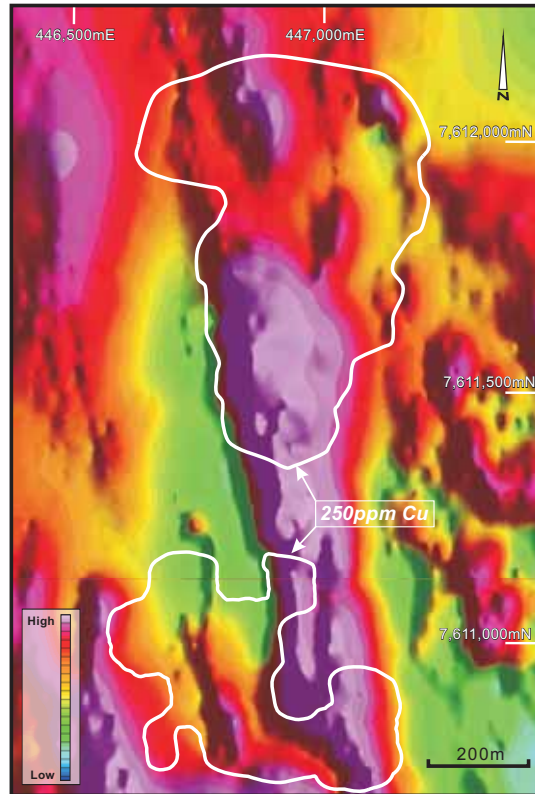


Figure 6b

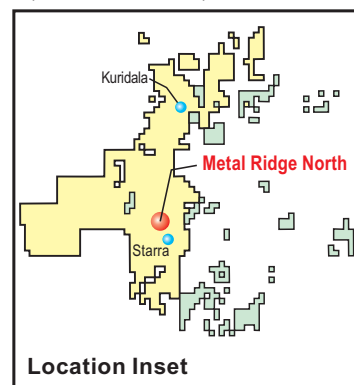
Ground Magnetics
(Reduced to Pole)

Geology Legend

- Mt Dore Granite
- Albitised Shale
- Amphibolite
- Phyllite
- Red Rock Alteration
- Shale
- Fault
- Cu soil contour >250 ppm
- IAL Diamond Drillhole
- IAL RC Drillhole
- IAL Aircore Drillhole
- Other Company Drillhole

SELECTED IAL INTERCEPTS					
Intercepts based on a cut-off of 0.25% Cu.					
Hole No.	Intercept (m)	From (m)	Cu (%)	Au (g/t)	U ₃ O ₈ (ppm)
RCP Holes					
MRNRC 001	22	58	0.39	0.16	32
MRNRC 002	10	72	0.57	0.29	14
MRNRC 005	46	34	0.41	0.16	99
Diamond Holes					
MRND 002	6	406	0.30	0.05	227
MRND 003	9	89	0.29	0.07	14
and	36	221	0.39	0.10	40
MRND 004	14	71	0.45	0.10	37
MRND 005	12	446	1.02	0.31	19

- Notes:
1. All intervals are down hole intercepts. There is insufficient data to estimate true widths.
 2. Equivalence formula: $eCu\% = Cu\% + 0.4 \times g/t Au$. Assumes a copper price of US\$ 2.6/lb and a gold price of US\$ 715/oz.
 3. Maximum internal dilution of 10m down hole.
 4. Samples containing below the detection limit are treated as containing zero.
 5. Any no sample, core loss or insufficient sample for assaying



Location Inset

Ivanhoe Australia Limited

Metal Ridge North Prospect

Figure 6

Goldner and Associates

previously mined deposits (222/224, 244, 251 and 257) and the un-mined 232 and 236 deposits, plunge steeply north, while the 276 deposit has a moderate southerly plunge. Between commencement of mining in 1988 and February 1999 the open pit and underground mines developed along the Western Ironstones had produced a total of 6.84 million tonnes of ore averaging 4.56g/t Au, 2.23% Cu. Additional ore was mined from a number of the Starra Line deposits by Selwyn Mines from 1999 to 2002 however only total production figures for this period are available and these are inclusive of production from Mount Elliott.

Primary mineralisation, typically consisting of chalcopyrite, pyrite and minor bornite, is associated with abundant magnetite. In cross section most of the deposits have a “carrot-shaped” profile, becoming narrower at depth and mining ceased when the tonnes per vertical metre became uneconomic. The 251 deposit, the largest deposit with the greatest vertical extent was mined to a depth of over 600m below surface.

In general the full strike extent of the Western Ironstones has only been investigated by wide spaced drilling (except in the areas of the known deposits) to a vertical depth of approximately 200-250m below surface. The only previous deep drilling consisted of limited programs to test for significant extensions or replications of the deposits immediately below the 244, 251 and 257 deposits. One hole, STQ94-518D, drilled below the 251 deposit, returned a very high grade intercept of 2.5m at 19.46g/t Au and 2.17% Cu within magnetite ironstone about 1000m below surface and about 300m below the lowest level of the 251 underground mine. Three further holes, drilled as wedges to this hole, to test the lateral extent of this mineralisation, intersected much weaker mineralisation.

Although the overall results of the limited deep drilling program failed to extend the economic depth of the known deposits, the one very high grade intercept below the 251 deposit provides encouragement that high grade deposits could occur at depth along the Western Ironstones. Consequently, in GA’s opinion, a program of deep drilling by IAL is warranted and will be formulated following a detailed review by IAL of all historical data on the Western Ironstones.

IAL is also examining the possibility of re-opening the 222 and 276 mines based on residual resources that may be developed by applying modified cut-off factors based on the current significant improvement in metal prices.

v) **Reindeers**

A group of three previously defined prospects, Rudolph, Donner and Blitzen, are located approximately 20km northwest of the Starra Line Project in an area with generally similar underlying geology to the Western Ironstones at the Starra Line Project. A strongly anomalous airborne magnetic trend, extending in a folded pattern north of 276 (Figure 3), is interpreted to indicate the sub-outcropping continuation of the Western Ironstones. Sub-outcropping ironstones with associated anomalous copper and gold values occur in the vicinity of the Donner prospect.

Historical exploration for Starra-style ironstone deposits included stream and soil geochemical sampling, ground geophysics (magnetic and electromagnetic surveys) and drilling. At Rudolph the drilling confirmed the presence of ironstones in a similar stratigraphic setting to the Starra Line Project with the widest ironstone intercept obtained being 38m. The best individual copper and gold assays obtained in drilling were 0.36% Cu and 0.57g/t Au.

IAL has completed a large grid-controlled aircore drilling program over the area of the Reindeer prospects, accompanied by surface magnetic and gravity surveys. This work has outlined 4 areas of anomalous copper (known as ACR 1 to 4) around the previously identified Rudolph and Blitzen prospects with ACR 3 and 4 representing new targets consisting of anomalous copper with associated weakly anomalous nickel values seemingly associated with an amphibolite unit in contact with schist.

In GA’s opinion the substantial zone of strong magnetic anomalies represented by the Reindeer prospects implies the presence of sub-outcropping ironstones and consequently suggests the area has potential to host IOCG deposits. Given that this style of mineralisation is a high priority target for IAL, systematic exploration of the entire zone is justified and will be undertaken in 2008.

SOLVENT EXTRACTION ELECTROWINNING (“SXEW”) COPPER PROSPECTS

The IAL tenements contain numerous secondary copper deposits and prospects that may be amenable for treatment by SXEW technology. Many of the known sulphide deposits and prospects within IAL’s Cloncurry Project have been affected by weathering and oxidation resulting in the original near surface primary sulphides being converted to a variety of secondary copper minerals. The copper in these secondary copper minerals can

potentially be extracted by leaching with sulphuric acid.

Brief descriptions of the main SXEW prospects within the IAL tenements are provided below and more detailed information is provided in the full IGR. Some of the secondary copper prospects discussed below may also have cobalt and/or uranium potential.

(i) Mount Dore Project

This deposit, situated less than 1km from IAL's camp and office, is located adjacent to the faulted contact between the Kuridala Formation to the west and the over-thrust Mount Dore Granite to the east, with the copper mineralisation hosted by altered and brecciated black shales and muscovite schists of the Kuridala Formation.

Table 8.2 in GA's Full IGR includes an historical resource estimate for this deposit based on a 0.2% Cu cut-off grade. While IAL no longer consider this estimate to represent resources under either the current JORC or NI 43-101 codes, in GA's opinion it does provide an appropriate indication of the potential magnitude of this deposit.

This large deposit strikes north-south and dips approximately 45° to the east, parallel to the Mount Dore Fault, and this geometry may impose limitations on the proportion of the deposit that could be available for open pit extraction. The mineralised zone is oxidised to a depth of up to 400 metres below surface and copper minerals present within this zone include malachite, chrysocolla, native copper and chalcocite as well as a number of other copper mineral species, with chalcocite being dominant. The hanging wall to the deposit consists of granite and schist breccia while metasediments of the Staveley Formation form the footwall. The deposit remains open along strike to the north, down dip and possibly also to the south.

IAL commenced exploration drilling at Mount Dore in the latter part of 2007 designed to in-fill areas of the deposit where the existing drill spacing is considered to be either too wide spaced (i.e. drill spacing exceeds 50m) or is too shallow to cover the full depth potential of the deposit. To 30 April 2008, the Company had completed 60 holes totalling 14,632m.

Preliminary interpretation of the results of the recent drilling along section line 76004600N (holes MDHQ-07-85 and -07-86) and hole MDHQ-07-99 on section line 76004550N (Figure 7) suggests the presence of a steep, north northeast trending fault (known as the East Bounding Fault) that has acted as an eastern boundary to the mineralisation.

The data available to GA at the time of preparing this report is shown on Figure 10. Encouraging down hole intercepts from assays received to date include (based on a 0.25% and 1% Cu cut-off grades):

- MDHQ-07-82
 - 171.2m at 1.21% Cu from 84.8m
 - includes 21.2m at 1.48% Cu from 84.8m
 - and 75.5m at 2.00% Cu from 124m
 - 37m at 0.97% Cu from 277m
 - includes 25.3m at 1.02% Cu from 277m
- MDHQ-07-83
 - 124m at 1.38% Cu from 84m
 - include 46m at 2.42% Cu from 134m
 - and 8m at 1.98% Cu from 192m
- MDHQ-07-098
 - 168m at 0.82% Cu from 116m
- MDHQ-07-104
 - 63.4m at 0.67% Cu from 123.6m

Drilling at Mount Dore is continuing and will include detailed 40m by 40m spaced RCP drilling on the western edge of the deposit as well as the completion of the earlier planned core holes.

(ii) Victoria

This deposit, situated approximately 15km south of the Starra Line Project, has been previously mined for high grade copper oxide as supplemental feed in the flotation plant. The deposit is similar in character to the Mount Dore deposit, being located on the Mount Dore Fault with the mineralisation hosted either by units of the Kuridala Formation or within the adjacent Yellow Waterhole Granite. Secondary copper mineralisation, mainly in the form of chrysocolla and malachite, continues north of IAL's Mining Lease (ML 90043) into the Stuart

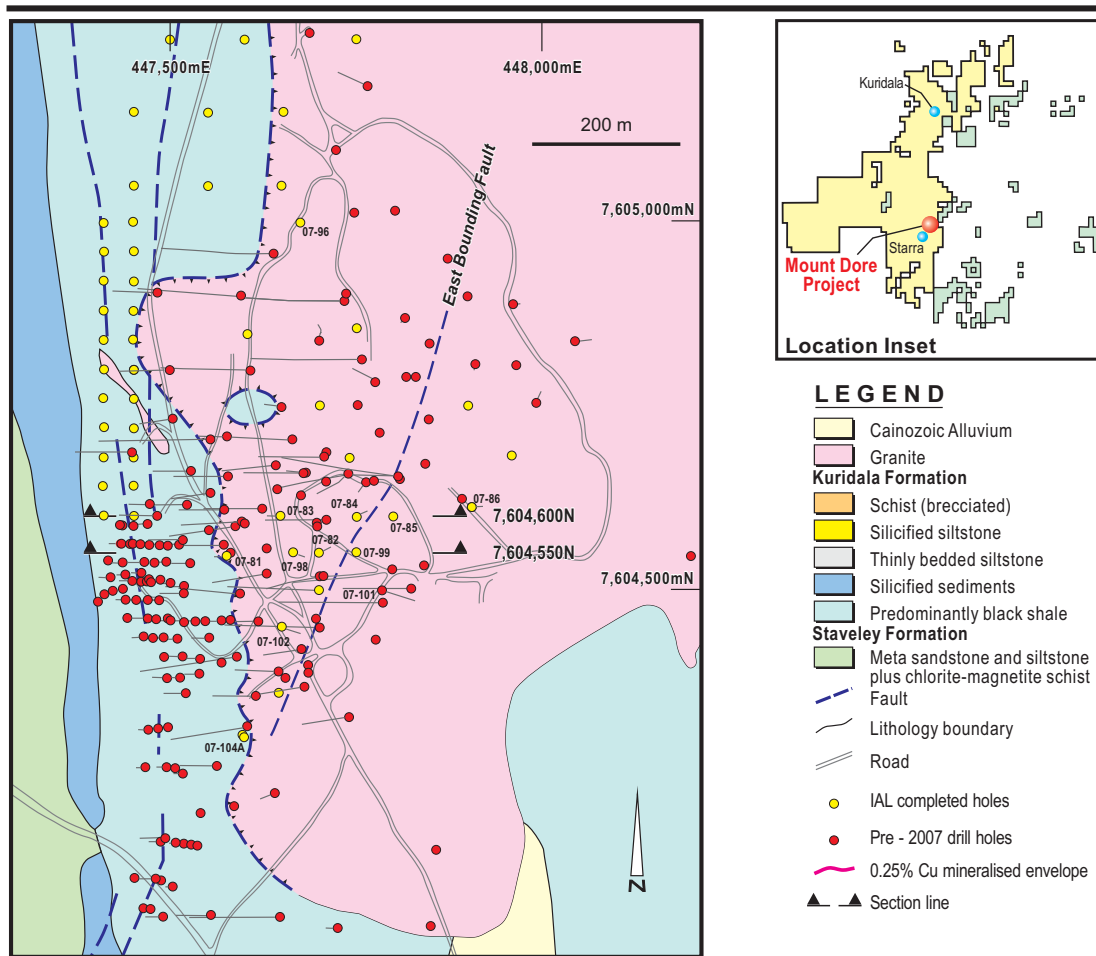


Figure 7a
Mount Dore Geology Plan

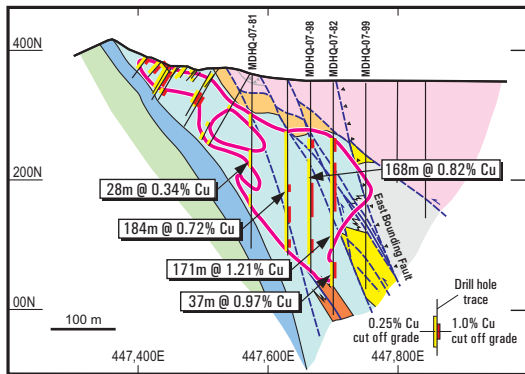


Figure 7b
Mount Dore Section 7,604,550N

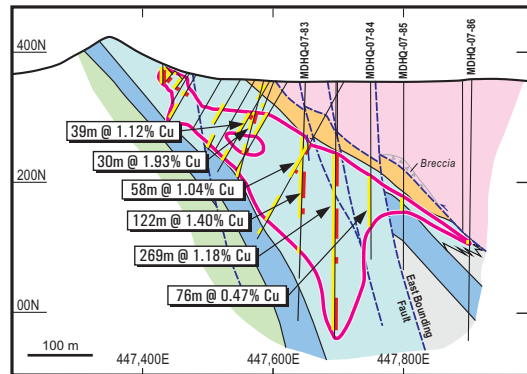


Figure 7c
Mount Dore Section 7,604,600N

Ivanhoe Australia Limited

Mount Dore Project

mining lease held by another party.

(iii) Swan Zone

The Swan zone, within the Mount Elliott Project, is being actively explored by IAL as a high priority IOCG target as previously discussed. Near surface, the deposit has been deeply weathered and oxidised resulting in a vertical zonation consisting of an oxide zone to a depth of about 60m below surface and an underlying transition zone extending to a depth of up to 150m below surface. Both the oxide and transition zones may represent material that could be treated by SXEW although metallurgical test work by previous explorers obtained poor recoveries. The oxide and transition zones contain significant gold which would not be recovered by conventional SXEW processing and some form of differential leaching may be required.

(iv) Straight Eight

This prospect, located a few kilometres north of Kuridala, consists of extensive secondary copper mineralisation developed along and adjacent to the northwest trending, faulted (Straight Eight Fault) and silicified contact between the Doherty Formation and an amphibolite. Three strong copper-in-soil anomalies, associated with gossan outcrops containing secondary copper mineralisation, are known as Lotta Coppa (in the northwest), Central and Straight Eight Shaft (in the southeast) and occur over a 3km strike length.

(v) Other Potential SXEW Prospects

Apart from the deposits mentioned above, secondary copper mineralisation at surface and in drill holes or strongly anomalous copper rock chip geochemistry, occurs at numerous locations including, but not limited to; Occidental, Labour Victory, Tip Top, Metal Ridge, Busker and Flora as well as the St Alfonso zone which stretches from Mount Dore to Mount Cobalt. These prospects are clearly areas warranting follow-up exploration as part of any assessment of establishing an SXEW operation. IAL has recently completed a program of aircore drilling over the St Alfonso zone which has identified two new targets which will be followed up in 2008.

URANIUM-DOMINANT PROSPECTS

Initial exploration for uranium in and around IAL's Cloncurry Project was undertaken in approximately 1957. The work undertaken included an airborne radiometric survey over a large area south of Malbon. Subsequent uranium exploration by various groups between the late 1960s and the mid to late 1970s identified the presence of uranium at the Elizabeth Anne, Dairy Bore, Old Fence, U2 and Robert Heg prospects in the Kuridala area. Strongly anomalous uranium values were obtained in rock chip sampling and initial drilling at a number of these prospects.

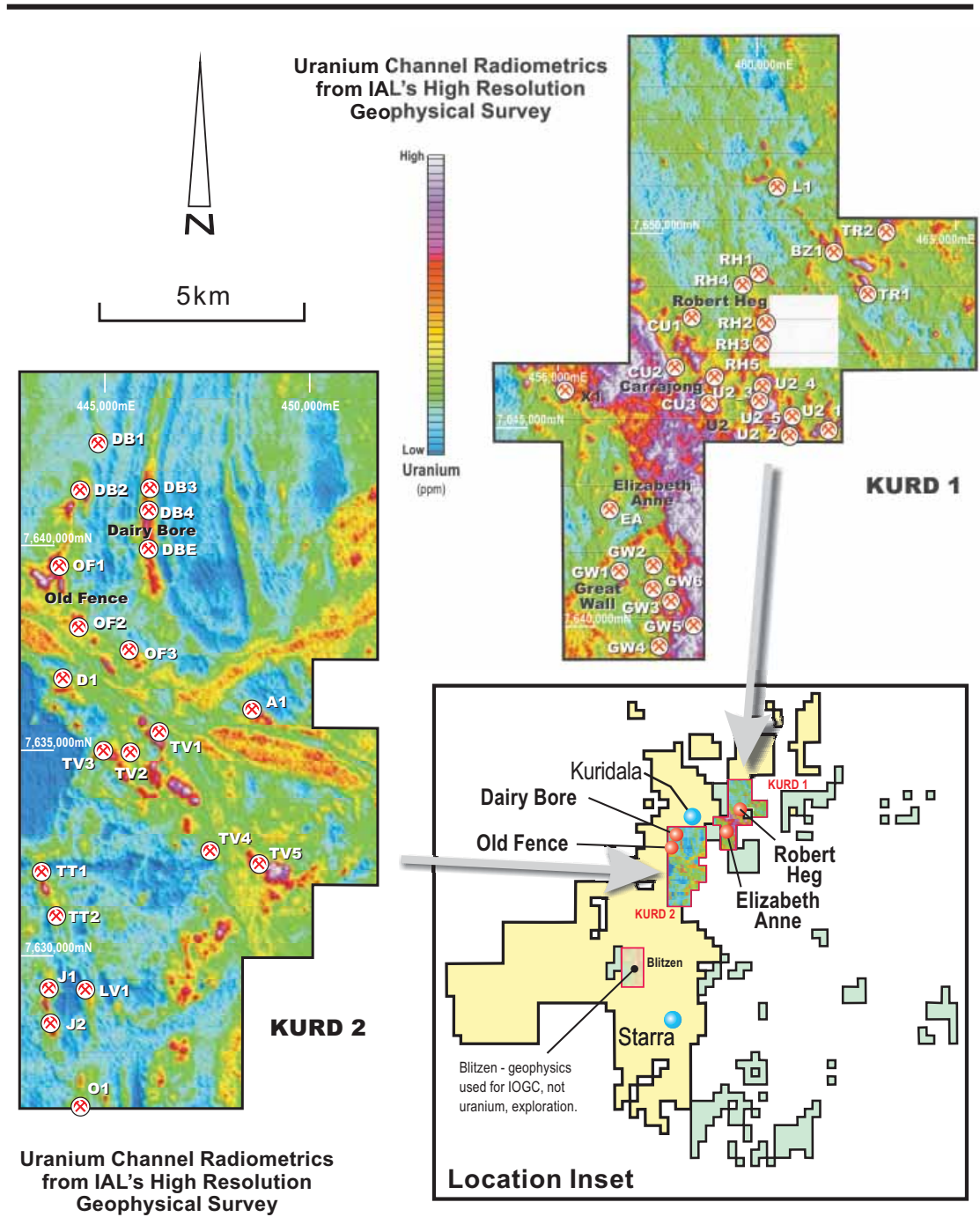
In 1978 an airborne radiometric survey over parts of the Cloncurry Project area detected a number of uranium anomalies particularly along the Mount Dore trend south of the Mount Dore deposit. These have received little or no follow-up investigation however secondary uranium minerals (probably including torbernite) were recorded from shallow prospecting pits at the Mariposa copper prospect.

In the early 1990s a large regional geophysical program was conducted which encompassed all of IAL's Cloncurry Project area. The geophysical data from this survey has been recently acquired by IAL (Figure 3) and the radiometric data is being interpreted by IAL to identify targets for field follow-up in both the IAL and the Exco JV tenements.

IAL commenced regional uranium exploration in late 2006 by flying a detailed low level, high resolution airborne geophysical survey over three selected portions of the Project area (Figure 8) known as Kurd 1, Kurd 2 and Blitzen. Only the KURD 1 and 2 areas were specifically flown to identify uranium targets while the Blitzen area was flown to assist in the exploration for IOCG-style targets rather than for uranium-dominant deposits. Ground follow-up of anomalies identified by the detailed survey commenced in April 2007.

The Robert Heg, Elizabeth Anne and U2 uranium prospects, all of which have been subjected to some previous exploration by earlier explorers, lie within the KURD 1 area while the KURD 2 area includes the Dairy Bore and Old Fence prospects. The known prospects within the KURD 1 area lie within the contact metamorphic aureole of the anomalously radioactive Squirrel Hill Granite while those in KURD 2 are associated with the Wimberu Granite.

A preliminary geophysical assessment of the high resolution airborne radiometric results by IAL from KURD 1 and KURD 2 identified 25 and 21 anomalies respectively for follow-up investigation. These anomalies are shown on Figure 8 and as can be seen a number coincide with historical uranium prospects.



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**KURD 1 and KURD 2
Uranium Anomalies and Prospects**

Figure 8

*(i) KURD 1 Prospects**(a) Robert Heg*

At this prospect uranium mineralisation occurs within strongly fractured, brecciated and calc-silicate altered metasediments adjacent to the Squirrel Hills Granite. Previous exploration by CRA Exploration Pty Ltd, now part of the Rio Tinto Group¹⁰, included 18 shallow RCP holes over a strike length of 150m. Most holes intersected values of over 100ppm U₃O₈ with the best intersection of 22m at 0.48% U₃O₈ from 13m including 11m at 0.93% U₃O₈ from 14m. Two other holes intersected 8m at 0.51% U₃O₈ from 36m and 6m at 0.24% U₃O₈ from 72m.

IAL recently completed 5 core holes (RHDD019 to 23) in the area previously drilled. Results include:

- RHDD019 drilled 60 degrees to the southeast (drilled to replicate a previous hole which intersected 11m at 0.93% U₃O₈) intersected 11m at 3,598ppm (0.36%) U₃O₈ from 15m including 9m at 4,301 (0.43%) U₃O₈ from 15m. This interval contained disseminated yellow-green secondary uranium oxide mineralisation within a sheared, chlorite and hematite-altered calc-silicate intruded by a coarse grained granite pegmatite.
- RHDD020 intersected numerous down hole intervals of greater than 100ppm U₃O₈ the best results being:
 - 2m at 908ppm U₃O₈ from 32m
 - 9m at 473ppm U₃O₈ from 283m
- RHDD021 intersected 24m at 224ppm U₃O₈ from 64m, including 2m at 837ppm U₃O₈ from 67m
- RHDD022 intersected numerous narrow intervals of greater than 100ppm U₃O₈, the best result being:
 - 5m at 590ppm U₃O₈ from 239m including 1m at 2,005ppm (0.20%) U₃O₈ from 240m
- RHDD023 intersected a number of narrow intervals of greater than 100ppm U₃O₈, the best being
 - 2m at 206ppm U₃O₈ from 152m.

Holes RHDD020 to 022 were drilled 60 degrees towards the south, hole RHDD020 was drilled below hole RHDD019 while holes 021 and 022 were collared approximately 100m to the west and east of hole RHDD019 respectively. These holes also intersected a number of chlorite-rich shears. Hole RHDD023 was drilled at 60 degrees towards the northeast to test an adjacent uranium anomaly. IAL's drilling has confirmed the presence of uranium mineralisation at the Robert Heg prospect. Although the intercepts obtained are generally narrow and of low to modest grade, all the drilling to date (both the historical and IAL drilling) has been confined to a small area and in GA's opinion the results obtained are sufficiently encouraging to warrant further exploration of this prospect.

(b) Elizabeth Anne

This prospect is located at the southern extension of the Straight Eight Fault near the margin of the anomalously radioactive Squirrel Hills Granite. Historical exploration, including 56 percussion and 3 diamond core holes, indicated the uranium, occurring as uraninite, was associated with hydrothermal chlorite and occurred in variety of lithologies including porous quartzite, ironstone, calc-silicates and diorite. Thirteen of the holes returned intervals with greater than 250ppm U₃O₈ with the best result being 1.6m at 0.72% U₃O₈ in hole PDH 34.

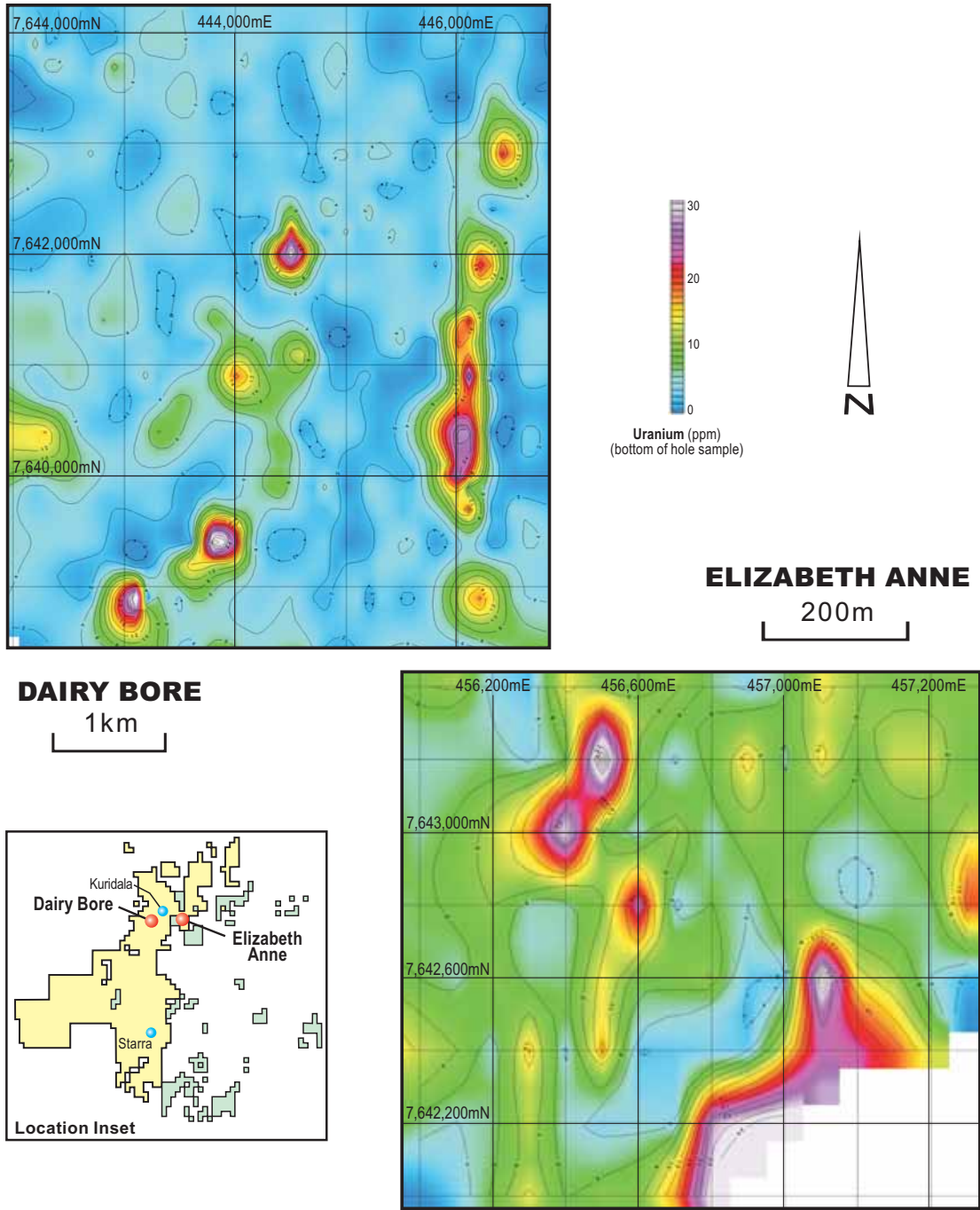
An aircore drilling program (250m hole spacing along east-west lines 500m apart) has been undertaken over the Elizabeth Anne prospect and a number of uranium anomalies have been outlined by the aircore drilling based on Niton XRF determinations undertaken on site, as can be seen on Figure 9. Follow-up assaying of the samples returned lower uranium values than were indicated by the Niton XRF determinations. Preliminary site inspection by IAL geologists indicate that most of the stronger radiometric anomalies occur in areas of outcropping ironstone horizons and because of the hardness of the ironstone lithologies these could not be tested by the aircore drilling. The next phase of exploration will include detailed mapping and rock chip sampling. Due to the rugged topography the large uranium anomaly in the southeastern corner of Figure 9 could not be further evaluated with the aircore drilling rig.

(c) Great Wall

This prospect, located 2km south of Elizabeth Anne, is also underlain by a number of ironstone units which will be mapped and sampled in detail.

The available details on a number of the other historical prospects within the KURD 1 area are provided in GA's full IGR.

¹⁰ This information (and all other information in this Summary Report regarding exploration work and results of CRA Exploration Pty Ltd) is based on information in a geological report of CRA Exploration Pty Ltd (now Rio Tinto Exploration Pty Ltd) dated May 1994 titled "EPM 7221 (HEG) Report on Areas Relinquished for the Period Ended 23/4/94" prepared by Barry J Davis. Neither Barry J Davis, CRA Exploration Pty Ltd nor Rio Tinto Limited have consented to the use of the information in that geological report (or to the use of the references based on that information) in this Summary Report or the Prospectus.



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**Dairy Bore and Elizabeth Anne Prospects
Aircore Uranium**

Figure 9

(ii) KURD 2 Prospects

The 21 uranium anomalies selected by IAL for field follow-up in area KURD 2 are shown Figure 8. In particular anomaly DB1 and OF1 have been given a high priority ranking by IAL as they occur in association with the intersection of prominent structures interpreted from the magnetics.

(a) Dairy Bore

This prospect is located along the same 9km long southeast trending fault system as the Dairy Bore South and Old Fence Prospects. At Dairy Bore 0.5m-8m wide magnetite-rich bodies are located on, or adjacent to, the amphibolite and mica schist contact. Results of previous exploration indicate that two historical rock chip samples yielded up to 430ppm U_3O_8 associated with strongly anomalous copper, lead, zinc and cobalt values. Soil sampling by CRA Exploration Pty Ltd, yielded up to 83ppm U_3O_8 in soils.

The results from Niton XRF determinations on samples obtained from the recently completed aircore drilling program (250m hole spacing along east-west lines 500m apart) are shown on Figure 9. A site inspection by IAL indicates that the uranium anomalies are again associated with ironstone horizons. In addition a north-south trending, uranium anomaly (>12 ppm U_3O_8) has been identified over a length of approximately 400m to the east of Dairy Bore. The next phase of exploration will include detailed mapping and rock chip sampling over the anomalous areas.

(b) Old Fence

This prospect, apparently previously investigated only for its copper potential, consists of interbedded quartzites, banded ironstones, cemented hematite breccia and mica schists. Previous RCP drilling yielded a best result of 18m at 0.38% Cu. There is no record of any uranium exploration having been carried out. The highest uranium value obtained from IAL's aircore program was 47ppm U_3O_8 . Detailed mapping and rock chip sampling is planned for this prospect.

The results from limited prior uranium-targeted exploration within the Cloncurry Project area, in conjunction with both the historical broad scale airborne radiometric surveys and the more recent IAL high resolution survey, clearly demonstrates that uranium-dominant deposits represent a valid target. The development of a uranium deposit of both the size and grade justifying development will undoubtedly require a combination of the appropriate lithologies, structural preparation (open spaces) and favourable (reducing) depositional environment. In GA's opinion there is no reason to believe that this combination of features could not occur within the Cloncurry Project area.

OTHER EXPLORATION TARGETS

Apart from the IOCG, Secondary Copper and Uranium prospects discussed above, there are a number of other advanced prospects that, at this stage, do not clearly fall within these categories. IAL currently views these prospects as being of somewhat lower priority than those previously described and it is the Company's intention to progress exploration on these as and when budgets and manpower are available. It is likely that further work may re-rank some targets to a higher priority and some may also be assessed as falling within the IOCG category.

Within the IAL tenements there are a number of additional advanced copper-gold targets warranting additional exploration. Summary details are provided below and additional information is available in the full IGR.

(i) Slate Ridge

This prospect is located about 14km west of the Starra Line Project and consists of a small near-surface gold-rich oxide deposit and a deeper copper-gold oxide and supergene sulphide deposit. The mineralisation is hosted by black shales belonging to the Answer Slate and is associated with quartz veining and faulting. The few deeper holes drilled in this area intersected primary sulphides and the deposit remains open at depth.

(ii) Mount Cobalt

This area is located some 10km southeast of the Starra Line Project and is the site of an historical cobalt mine (estimated production to 1938 of 20,000 tonnes at 4% Co). The area is covered by granted ML 2732 and the mineralisation is hosted within a shear zone at the margins of an amphibolite. Drilling to test the cobalt potential during 1995 yielded a number of significant copper and gold down-hole intercepts in primary sulphides including 18m at 1.2% Cu and 1.5g/t Au from 54m (includes 10m at 2.01% Cu, 1.9g/t Au, 543ppm Co) in hole MVH 10 and 1.7 metres at 3.0% Cu, 1.4 g/t Au and 575ppm Co from 54.3m in hole MVH 12.

(iii) Kuridala

The historic Hampden Kilometre area, located some 50 kilometres north of Starra Line Project, is the site of the historical Kuridala group of mine workings which lie within IAL's tenement EPM 9116. ML 90081 held by Matrix Metals Limited covers the Hampden Kilometre mine area to a depth of 100m and below this depth the mineral rights belong to IAL.

Previous drilling intersected high grade copper-gold bearing sulphide mineralisation below 100m depth, in the vicinity of previously mined out stopes of the Hampden Kilometre mine. The mineralisation occurs as discontinuous shoots in intensely deformed metasediments. Best results from earlier drilling include 19 metres at 6.0% Cu, 2.7 g/t Au, and 10 metres at 4.9% Cu, 2.2 g/t Au. A subsequent drilling program yielded a best result of 1.7m at 2.26% Cu, 1.06g/t Au and 430ppm Co from 147.2m in hole KRCD-8. The zone remains open at depth and additional drill testing is warranted.

EXCO JV TENEMENTS

IAL has only recently farmed into a portfolio of EPM's held by Exco (the Exco JV tenements) that occur in close proximity to, and in part are contiguous with, the IAL tenements (see Figures 1, 2 and 3). With one exception (EPM 14033) the Exco JV tenements are located to the east and southeast of the IAL tenements. EPM 14033 is surrounded by IAL tenements and is located just west of the Reindeers prospects as shown on Figure 1.

IAL's motivation in farming into the Exco JV tenements was to acquire additional exploration tenure in the immediate vicinity of their own IAL tenements and to provide additional exposure to the prospective sequences of the Eastern Succession of the Mount Isa Inlier.

There are a number of known mineralised prospects within the Exco JV tenements, some containing elevated copper and zinc values in previous drilling. At the date of preparing this Summary Report and the Full IGR (30 April 2008), IAL had commenced a detailed evaluation of the available exploration data on the Exco JV tenements, and undertaken site visits to selected areas of interest. In addition three diamond drill holes have been drilled at the Wewak prospect, located some 18km northwest of the Starra Line deposits. Oxide and sulphide copper species were encountered in the drilling however at the date of this report assay results were still awaited. A ten hole RCP program has also been planned for the second part of May 2008 to initially evaluate a 2km long by 30m wide strongly gold-anomalous ironstone horizon at the East Wewak prospect.

The Exco JV tenement package is considered to represent additional regional exploration areas requiring considerable early phase exploration to define targets for more detailed follow-up. IAL can earn 80% equity in the Exco JV tenements by spending \$5 million within three years of 14 May 2007 and if the Company withdraws prior to meeting this expenditure obligation it will retain no interest in the Exco JV tenements.

SOUTHERN MAGNETIC TARGETS JOINT VENTURE

On the purchase of the Cloncurry Project, IAL inherited the pre-existing SMTJV with Barrick covering an area of 114.5km² in the southern portion of IAL's EPM 10783 (Figure 1) approximately 30km northwest of Barrick's Osborne copper-gold mine. Exploration by Barrick has resulted in the delineation of a copper-gold deposit at the Lucky Luke prospect and Barrick has declared this area to be a "Mill Feed Target Area" under the joint venture which enabled Barrick to earn a higher interest in this portion of the SMTJV area.

As at 30 April 2008, the SMTJV has been terminated following the transfer of a mining lease over 5 sub-blocks which are known as the Mill Feed Target Area to Barrick and Barrick's 50% interest in the remaining portion of the SMTJV area has reverted to IAL. Further details are provided in Section 3.7 of the Prospectus. The net effect of this is that the Mill Feed Target Area has become 100% held by Barrick who has no rights in relation to the remaining 31 sub-blocks of the SMTJV area. IAL will receive a royalty equal to 5% of the Net Smelter Returns of any production from the area being transferred to Barrick.

It should be noted that there are a number of defined prospects within the portion of the SMTJV area in which Barrick has no further interest following the termination of the SMTJV. These include the Southern Extensions, Plume and Fisherman's Tail prospects. These prospects are described in GA's Full IGR.

EXPLORATION PROGRAM AND BUDGET

IAL has developed a two year exploration program and budget, summarised in Table 3 below, which is designed to aggressively explore and evaluate both the higher priority IOCG targets and to actively explore the Project area's potential to host uranium-dominant deposits. An appropriate allowance has been made for regional exploration within both the IAL and Exco JV tenements and to undertake more detailed exploration on a number of the other lower priority targets within the Project area.

TABLE 3
SUMMARY OF IAL'S PROPOSED EXPLORATION PROGRAMS AND BUDGETS FOR THE PROSPECTS DESCRIBED IN THIS SUMMARY REPORT AND THE FULL IGR

TARGET	PROPOSED WORK	2008 (\$,000)	2009 (\$,000)	TOTAL (\$,000)
Iron Oxide Copper Gold (±Uranium) Prospects				
Mount Elliott Project	Geophysics, in-fill, step out and sterilisation drilling, mining and metallurgical studies.	2,050	2,000	4,050
Mount Elliott Project to Tip Top Region (includes Northern Gossans, Northern and Central Leases, Diva, Tip Top)	Data Review and reconnaissance mapping, geophysical surveys, RCP and Diamond drilling.	1,600	1,000	2,600
Amethyst Castle, Three Amigos	Mapping, geophysics, RCP and diamond drilling.	550	1,000	1,550
Starra Line Project	Data Review and modelling, geophysical surveys, deep drilling	1,500	2,000	3,500
Metal Ridge North, Lady Ella	Data review and mapping, diamond drilling.	700	1,000	1,700
Flora Mag east	Data review, mapping, RCP and/or diamond drilling.	200	750	950
Total IOCG Prospects		6,600	7,750	14,350
SXEW Prospects				
Mount Dore Project (including Busker and Flora)	Mapping, in-fill drilling, sterilisation for a heap leach plant.	2,000	2,000	4,000
Victoria Area	Data review, reconnaissance mapping, RCP and/or diamond drilling.	200	400	600
Straight Eight, Central, Lotta Coppa	Data Review, reconnaissance mapping.	50	0	50
Total SXEW Prospects		2,250	2,400	4,650
Uranium Dominant Prospects				
Elizabeth Anne	Data review, mapping, geophysical and geochemical surveys, RCP and/or diamond drilling.	350	400	750
Robert Heg, Great Wall	Data review, mapping, geophysical and geochemical surveys, RCP and/or diamond drilling.	350	400	750
Triga, U2 and others	Data review, mapping, geophysical and geochemical surveys, RCP and/or diamond drilling.	350	400	750
Regional (various targets including additional work at Old Fence-Dairy Bore)	Data review, mapping, geophysical and geochemical surveys, RCP and/or diamond drilling.	1,000	1,000	2,000
Total Uranium Prospects		2,050	2,200	4,250
Other Copper-Gold Sulphide Targets, Regional Exploration (IAL & Exco JV Tenements), Acquisition Studies and Infrastructure				
Slate Ridge	Data review and modelling, geophysics, Infill drilling.	400	300	700
Mount Cobalt	Data review, geophysics, drilling.	50	400	450
Kuridala	Data review and modelling, geophysics, Infill and deeper drilling.	50	600	650
Old Fence-Dairy Bore Sulphides	Data review and mapping, follow-up drilling in 2009.	50	400	450
Regional Exploration IAL Tenements and Acquisition studies	Data review, regional mapping, geochemical sampling drill testing of targets.	500	2,000	2,500
Exco JV Tenements	Data review and compilation, airborne and ground geophysics, trenching and aircore drilling, RCP and diamond drilling.	1,500	1,500	3,000
Infrastructure Sterilisation	Data review and mapping, geophysical surveys, trenching and aircore drilling, RCP and/or diamond drilling	300	800	1,100
Total Other Exploration		2,850	6,000	8,850
TOTAL		13,750	18,350	32,100

Appropriately, a large proportion of the budget allocation is for the continued exploration and delineation of the Mount Elliott, Mount Dore and Starra Line Projects. The Company has also made allowance for an additional \$39.3 million over the next two years, in addition to the amounts shown in Table 2.1, for subsequent definition drilling and feasibility studies at the Mount Elliott, Mount Dore and Starra Line Projects. This includes some development costs at the Mount Elliott Project. Additional program and budget details for each of the prospect categories is included in GA's Full IGR.

PROJECT RISKS

General

When compared with many industrial and commercial operations, mining is a relatively high risk business and projects that are still in the exploration phase are even higher risk. Even once a discovery is made the nature of the mineralisation, the grade distribution within the deposit outlined, and the behaviour of the ore during mining and processing, is never completely predictable.

The difficulty in discovering economically viable mineral deposits is increasingly reliant on the combination of an in-depth understanding of factors controlling the development of mineral deposits within any specific geological environment, as well as the application of optimum exploration techniques applicable to the style of deposit being sought.

Many of the prospects within the IAL tenements are at an advanced stage of exploration and a number have either been partially mined or have target size and grade parameters determined either from earlier resource estimates by previous tenement holders, including Selwyn Mines Limited ("Selwyn Mines"). Consequently the presence of significant mineralisation within the Cloncurry Project is established and the deposit parameters are understood thus allowing the optimum design of exploration programs. To outline and upgrade resources and subsequently confirm economic viability will require considerable additional work and this is the objective of IAL's planned exploration programs. In the context of this report, the historical resource estimates for individual deposits within the Cloncurry Project are not categorised as resources by IAL or GA.

In reviewing IAL's prospects covered in this report GA has considered areas of perceived technical or operational risk, particularly where the risk component could materially impact on the exploration programs or potential future developments. The assessment shown in Table 3 is necessarily subjective and qualitative. GA has considered factors which may ameliorate some of these risks and these are discussed below Table 4.

TABLE 4
ASSESSMENT OF IDENTIFIED RISKS AFFECTING IAL'S CLONCURRY PROJECT

Risk Component	Comments
Resources / Reserves – IOCG Deposits <i>Low to Medium</i>	No formal resource estimations have been completed by IAL. It is probable that resources in accordance with both the JORC ¹¹ and NI 43-101 ¹² codes will be estimated for the Mount Elliott and Starra Line Projects once the existing drill database has been validated by IAL and the next phase of drilling is completed.
Resources – Uranium Dominant Deposits <i>Medium to High</i>	Previous drilling of some of the uranium prospects was not to a standard or pattern to identify resources. Historical records are incomplete. The estimation of resources will depend on future exploration success.
Resources / Reserves – SXEW Deposits <i>Medium</i>	Some earlier resource estimates on a number of secondary copper deposits have been undertaken and provide some indication of the potential target tonnage size and grade present. It is probable that resources in accordance with both the JORC and NI 43-101 codes will be estimated for the Mount Dore Project once the existing drill database has been validated by IAL and the next phase of drilling is completed.
Development Risks – IOCG <i>Low to Medium</i>	The Starra Line and Mount Elliott/Corbould deposits have been previously mined, mainly from underground, and it is likely the approval process for any future underground development would be relatively straight forward. The Swan zone, as currently understood, may prove amenable to open pit extraction. This could impact on the heritage area associated with the smelter site at Mount Elliott and the approval process for a large open pit development may be more complicated.
Processing – Primary Sulphide Deposits <i>Low Risk</i>	The Starra Line and Mount Elliott/Corbould deposits have been previously successfully treated by conventional flotation methods which achieved acceptable to very good recoveries of copper and gold into concentrates.
Processing – Secondary Copper Deposits <i>Medium Risk</i>	Limited metallurgical test work on oxide ores from the Cloncurry Project tenements has been undertaken in the past with mixed success. Nevertheless SXEW technology is proven and is being successfully used on other secondary copper deposits in the district. Both the cost of sulphuric acid and the Project's distance from a railhead at Cloncurry are important factors in assessing the potential economic viability of SXEW operations.
Processing – General <i>Medium Risk</i>	Water resources will need to be defined and acquired prior to establishment of a processing plant. At this stage the Company does not have sufficient water entitlements should it wish to recommence mining and production.
Infrastructure <i>Low Risk</i>	While the Project is relatively remote there is a good quality unsealed road to Cloncurry and a serviceable airstrip on site. Prior mining activities were only infrequently affected, for short periods, by heavy rain during the wet season. Part of the original camp remains on site and is adequate for the current level of exploration but will need to be progressively upgraded as exploration intensifies. A future commercial development would almost certainly require a new camp. There are no remaining processing facilities on site.
Environment <i>Medium Risk</i>	IAL has inherited the environmental liabilities associated with the previous mining and processing activities. Substantial bonds have been lodged with the government and ongoing monitoring of sensitive areas is undertaken. IAL's current exploration activities are relatively low impact and IAL has appropriate procedures in place with respect to its activities.
Commercial Development Risk – Uranium <i>Medium to High</i>	Mining of uranium in Queensland is currently prohibited. The Federal Labour Party has recently abandoned its long held "No New Uranium Mines" policy. However the Queensland Government has recently reiterated its opposition to the grant of MLs for uranium.
Project and Budget Implementation Risk <i>Low to Medium</i>	Given the current activity level across the Australian mining industry both technical personnel and drill rigs are in short supply. Consequently there is a risk that IAL may not be able to source all the personnel and equipment required to fulfil its planned two year programs and budgets.

¹¹ Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – The JORC Code 2004 Edition

¹² National Instrument 43-101- Standards of Disclosure for Mineral Projects (The Canadian equivalent of the JORC Code)

Risk Mitigation Factors

There are a number of factors which combine to reduce some of the risks attached to IAL's exploration. The main factors being:

- Australia is a politically stable country with a long history of mineral exploration and mining. The Federal and all State Governments are, apart from the comments above in relation to uranium mining, supportive of the mining industry.
- IAL's Cloncurry Project area contains numerous mineral deposits and well mineralised prospects in the appropriate geological setting for the development of the deposit styles being sought. The diversity of mineralisation styles is unusually broad.
- The area, while remote, is well located with good road access from Mount Isa and Cloncurry although during the tropical wet season access can occasionally be difficult for up to a few days at a time. A network of tracks provides access to most parts of the area.
- IAL's current management, technical staff and contractors are experienced mineral industry professionals and have extensive experience in the exploration for the deposit styles most likely to be discovered within the Cloncurry Project area.
- IAL's parent has considerable experience in the discovery and development of major mineral deposits and has the technical and commercial expertise, as well as the financial contacts to facilitate the development of any discovery made within the Cloncurry Project.

PRINCIPAL SOURCES OF INFORMATION

The principal sources of information are included in the full GA IGR.

STATEMENT OF CAPABILITY

This Summary Report has been prepared by Goldner and Associates with the principal consultant engaged in the current review being as follows:

Mr Peter Goldner (BSc. [Hon] Geology, FAusIMM, FAIG, CPGeo) the Managing Director of Goldner and Associates, has more than 35 years experience in exploration and mineral project evaluation, and the provision of geological services. He has worked in both surface and underground operations in a range of commodities, including gold and precious metals, copper, lead/zinc, base metals, nickel and uranium. He has extensive experience in resource/reserve estimation and reconciliation procedures and the audit and review of estimates. Mr Goldner has worked throughout Australia, PNG, Southeast Asia and in Alaska USA.

STATEMENT OF INDEPENDENCE

GA is independent of all parties involved with the Project activities described in this report. GA will receive a professional fee based on standard rates plus reimbursement of out of pocket expenses for the preparation of this report. The payment of these fees is not contingent upon the success or otherwise of the proposed capital raising pursuant to the prospectus within which this report is contained. There are no pecuniary or other interests, which could be reasonably regarded as being capable of affecting the independence of GA or the undersigned.

GA, the undersigned and members of the undersigned's family, have no interest in, or entitlement to, any of the project or prospect areas which are the subject of this report.

LIMITATIONS AND CONSENT

This Summary Report and the full IGR has been based on data, reports and other information made available by IAL, its subsidiaries or otherwise obtained through publicly available sources. A draft copy of this report has been provided to IAL for comment as to errors of fact, omissions or incorrect assumptions. GA has no reason to believe that the information provided by IAL is misleading or that any material facts have been withheld.

The opinions expressed herein are given in good faith and GA believes that any assumptions or interpretations are reasonable.

With respect to the Summary Report and the Full IGR and their use by IAL and its advisers, IAL agrees to indemnify and hold harmless GA its shareholders, directors, officers and associates against any and all losses, claims, damages, liabilities or actions to which they or any of them may become subject under any securities act, statute or common law, except in respect to fraudulent conduct, negligence or wilful misconduct, and will reimburse them on a current basis for any legal or other expenses incurred by them in connection with investigating any claims or defending any actions, except where they or any of them are found liable for, or

guilty of fraudulent conduct, negligence or wilful misconduct.

This Summary Report and GA's full IGR is provided to IAL solely for the purpose of assisting potential investors in assessing the geological and technical issues as well as the potential risks associated with an investment in IAL and should not be used or relied upon for any other purpose. Potential investors are encouraged to review the GA's full IGR which is available on request from IAL or can be downloaded from the <http://www.ivanhoeaustralia.com/s/Prospectus.asp>.

Neither this Summary Report nor the full IGR constitutes a full technical audit but rather it seeks to provide an independent overview and technical appreciation of IAL's Cloncurry Project. Neither the whole nor any part of this Summary Report, nor any reference thereto, may be included in, or with, or attached to any document or used for any purpose without GA's written consent to the form and context in which it appears.

GA has consented to the inclusion of its Summary Report in IAL's prospectus dated on or about 24 June 2008 in the form and context in which it appears and has not withdrawn its consent prior to the lodgement of the prospectus with the Australian Securities and Investments Commission.

Yours faithfully,
GOLDNER AND ASSOCIATES



Peter T Goldner
Managing Director

GLOSSARY OF TECHNICAL TERMS, ABBREVIATIONS AND UNITS OF MEASURE

Term/Abbreviation	Description
airtrac	Small track mounted percussion drill using compressed air; a quarry drill.
allanite	Massive, pitchy, slightly radioactive mineral containing rare earths. {2(Ca,Y,Ce) ₂ (Fe,Al) ₃ O(OH)(Si ₂ O ₇)(SiO ₄)}
alteration	Change in the mineralogical and chemical composition of a rock, generally produced by hydrothermal fluids or by weathering.
Amethyst	A transparent to translucent, purple to pale violet variety of quartz.
amphibolite	A crystalline rock consisting mainly of amphibole and plagioclase with little or no quartz.
anomaly(ies)	Value higher or lower than the expected norm.
Au	Chemical symbol for gold.
aureole	A circular, oval or crescent distribution pattern about a source origin of a petrographic feature.
basalt/basaltic	A fine grained dark coloured extrusive volcanic rock with a low silica content.
base metal	Generally a non-ferrous metal inferior in value to the precious metals; usually and especially copper, lead, zinc, nickel.
batholith	A large, generally discordant plutonic mass with a surface exposure of more than 100km ² and no known floor.
bornite	A dark bluish black copper iron sulphide (Cu ₅ FeS ₄).
breccia/brecciated	A coarse-grained rock consisting of angular broken rock fragments held together by a fine-grained matrix, distinct from conglomerate.
calcic	Containing calcium (Chemical symbol Ca).
calc-silicate	Refers to a metamorphic rock consisting mainly of calcium bearing silicate minerals and formed by metamorphism.
carbonaceous	Carbon bearing, usually referring to a sedimentary rock.
chalcocite	A sulphide mineral of copper (Cu ₂ S).
chalcopyrite	A sulphide mineral of iron and copper (CuFeS ₂).
chlorite	A group of platy mica minerals which are usually green in colour often occurring as alteration products of ferromagnesian minerals.
chrysocolla	A light blue to greenish hydrated copper silicate mineral {Cu,Al) ₂ H ₂ Si ₂ O ₅ (OH) ₄ .nH ₂ O}
Co	Chemical symbol for cobalt.
Cu	Chemical symbol for copper.
CuEq (or eCu)	Copper equivalent. Used in some deposits where factored grades of associated elements (e.g. gold) are added to the copper grade to obtain a copper equivalent grade.
Cut-off grade	The lowest grade of mineralisation that qualifies as ore in a given deposit.
diorite	A coarse-grained igneous rock of intermediate composition between acidic and basic (i.e. between granite and gabbro).
electromagnetic (EM)	A geophysical method employing the generation of electromagnetic waves at the earth's surface. When the waves impinge on a conducting formation or sulphide rich body at depth they induce an electrical response that can be detected by instruments.
fault	A fracture of fracture zone along which there has been displacement of the sides relative to one another parallel to the fracture.
felsic	Applied to an igneous rock containing an abundance of light coloured minerals such as quartz and feldspar.
ferruginous	Said of a rock having a rusty colour due to the presence of iron oxide.
g	Gram.
g/t	gram/tonne.
galena	Lead sulphide mineral (PbS).
garnet/garnetiferous	A group of silicate minerals that contain variable amounts of calcium, magnesium, iron and manganese. Commonly found in metamorphic rocks.
geochemical sampling	Systematic collection of rock or soil samples in order to study their chemistry.
geochemical survey	A systematic study of the variation of chemical elements in rocks or soils.
geochemically anomalous	An area having elevated levels of specified elements in rocks or soils.
gossan/gossanous	An iron rich, often spongy rock found at or near the surface, produced by the weathering and oxidation of sulphide minerals and the leaching out of the sulphur and often some of the metals.
grade	Average quantity of ore or metal in a specified quantity of rock.
granite	Coarse-grained acid igneous rock containing quartz and feldspar.
hematite	A red iron oxide mineral [Fe ₂ O ₃].
hydrothermal	Of or pertaining to hot water, to the actions of hot water or the products of this action, such as mineral deposit precipitation.
induced polarisation ("IP")	A surface electrical geophysical surveying method.
intrusive	Of or pertaining to intrusion, both the process and the rock so formed.
ironstone	Rocks containing a large proportion of iron oxides.
JORC	Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves 2004 Edition.
km	kilometre – 1kilometre = 1000 metres.

km ²	square kilometre – 1 square kilometre = an area of 1000 metres by 1000 metres
limonite	A field term for a group of brown amorphous hydrous iron oxide minerals.
lithology (-ies)	Rock type.
m	Metre – 1 metre = 100 centimetres.
M	Million.
magnetite	A magnetic black iron oxide mineral (Fe ₃ O ₄).
malachite	A bright green copper carbonate mineral [Cu ₂ CO ₃ (OH) ₂].
metabasalt	A metamorphosed basalt.
metamorphic	Rocks formed in response to pronounced changes in temperature, pressure or chemical environment.
metasomatic	Pertaining to the process of metasomatism and its results. The process of practically simultaneous capillary solution and deposition by which new minerals of a partly or wholly different composition may grow in the body of an old mineral.
metavolcanic	A metamorphosed volcanic rock.
Mt	Million tonnes.
Niton XRF	A portable, hand held analyser that uses x-ray fluorescence to analyse for a suite of elements in soils, rocks and other types of samples.
Ordovician	The second oldest period of the Palaeozoic era 500 to 440 million years ago.
outcrop	Rock exposed to view at the surface and physically connected to solid rock at depth.
Pb	Chemical symbol for lead.
pegmatite	An exceptionally coarse-grained igneous rock, with interlocking crystals, usually found as dykes, lenses or veins particularly at the margins of batholiths.
phyllite	Metamorphosed and cleaved fine grained sediments intermediate between slate and schist.
polymictic	Said of a breccia containing rock fragments of 2 or more differing compositions.
potassic	Containing potassium (chemical symbol K).
ppm	parts per million, 1ppm = 1g/t.
precious metals	Includes gold, silver and the platinum group metals.
Proterozoic	The more recent of the 2 divisions of the Precambrian from 2,500 to about 500 million years ago.
pyrite	Common iron sulphide mineral (FeS ₂).
pyrrhotite	A magnetic iron sulphide (Fe _{1-x} S).
quartz	A mineral composed of silicon and oxygen (SiO ₂).
rare earths	Oxides of a series of 15 elements including lanthanum, yttrium, scandium that closely resemble each other in chemical and physical properties. They are not particularly rare.
RCP	Reverse Circulation Percussion - A percussion drilling technique in which the cuttings are recovered up the inside of the drill rods to minimize contamination from the wall of the hole.
schist	A strongly foliated crystalline rock formed by dynamic metamorphism, that can be readily split into thin flakes or slabs due to the well developed parallelism of more than 50% of the minerals.
shale	A fine grained laminated sedimentary rock.
shear	A deformation resulting from stresses that cause contiguous parts of a body to slide relative to each other in a direction parallel to their plane of contact.
silica	Silicon dioxide, SiO ₂
silicified	The introduction of, or replacement by, silica, which may replace existing minerals.
siltstone	A sedimentary rock composed of silt-sized particles.
sodic	Containing sodium (Chemical symbol Na).
soil geochemistry	A systematic sampling and chemical analysis of soils.
sphalerite	A sulphide mineral of zinc and iron [(Zn, Fe)S], the main ore mineral of zinc.
strike	Trend or direction of rock strata in a horizontal plane; to extend in that direction.
Sub-Audio Magnetics ("SAM")	A high definition geophysical technique that, by inducing a sub-audio frequency electrical current into the ground, can simultaneously and continuously measure the changes in the electrical and magnetic fields.
sulphide	A mineral compound characterised by the linkage of sulphur with metal.
supergene (secondary enrichment)	Said of a mineral deposit or enrichment formed near the surface of the earth, commonly by descending solutions.
t	tonne - a metric tonne, 1 tonne = 1000 kilograms.
tenement	A land use instrument issued by state governments for regulation of mineral exploration and mining.
thrust fault	A fault with a dip of 45° or less over much of its extent, on which the hanging wall appears to have moved upward with respect to the footwall.
torbernite	A hydrated copper, uranium phosphate mineral {Cu(UO ₂) ₂ (PO ₄) ₂ .12H ₂ O}
U	Chemical symbol for uranium.
U ₃ O ₈	Tri-uranium octa-oxide - a compound of uranium. Often determined in assaying for uranium.
uraninite	Also sometimes known as pitchblende. Black strongly radioactive uranium oxide mineral (UO ₂).
vein	Generally tabular feature, usually relatively narrow and occurring between well defined walls.

zone Usually referring to a lenticular, pipe-like or regular mass of mineralisation in a vein. In this report IAL have used “zone” as a means of distinguishing certain portions of the Mount Elliott Project mineralised system into distinct regions (e.g. the Swell zone) for descriptive purposes.

Financial Information



7.1. Overview

This Section provides a summary of the financial information of Ivanhoe Australia. All Historical Financial Information presented in this Section should be read in conjunction with the Investigating Accountants' Report (Section 8 of this Prospectus), the Risk Factors (Section 5 of this Prospectus) and other information contained within this Prospectus.

The Historical Financial Information comprises:

- the Historical and Pro Forma Consolidated Balance Sheets as at 30 April 2008 and the Historical Consolidated Balance Sheets as at 31 December 2007, 31 December 2006 and 31 December 2005;
- the Historical Consolidated Income Statements for the four months ended 30 April 2008 and the years ended 31 December 2007, 31 December 2006 and 31 December 2005;
- the Historical Consolidated Statements of Changes in Equity for the four months ended 30 April 2008 and the years ended 31 December 2007, 31 December 2006 and 31 December 2005;
- the Historical Consolidated Cash Flow Statements for the four months ended 30 April 2008 and the years ended 31 December 2007, 31 December 2006 and 31 December 2005; and
- the Notes to the Historical Financial Information.

Derivation of Financial Information

The Historical Consolidated Income Statements, Historical Consolidated Statements of Changes in Equity, Historical Consolidated Cash Flow Statements and the Historical Consolidated Balance Sheets have been derived from the consolidated financial statements of Ivanhoe Australia as set out in the following table:

Period	Source Financial Information
Years ended 31 December 2005, 31 December 2006 and 31 December 2007	Consolidated financial statements for the years ended 31 December 2007 and 31 December 2006 prepared in accordance with A-IFRS, which have been audited by Deloitte Touche Tohmatsu in accordance with Australian Auditing Standards.
Four months ended 30 April 2008	Interim consolidated financial statements for the four months ended 30 April 2008 prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and Interpretations, which have been reviewed by Deloitte Touche Tohmatsu in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 <i>Review of an Interim Financial Report Performed by the Independent Auditor of the Entity</i> ("reviewed interim consolidated financial statements for the four months ended 30 April 2008").

The Pro Forma Consolidated Balance Sheet as at 30 April 2008 has been derived from the reviewed interim consolidated financial statements for the four months ended 30 April 2008, assuming that the proposed transactions (refer to Section 7.4.10) envisaged in this Prospectus were completed as at 30 April 2008.

The foregoing financial information is collectively referred to as the Historical Financial Information.

7.2. Historical Financial Information

7.2.1 Historical Consolidated Income Statements

		Four months ended	Full Year ended	Full Year ended	Full Year ended
		30 April 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005
	Note	\$	\$	\$	\$
Revenue		20,716	34,705	64,553	17,144
Exploration and evaluation expenses		(11,414,429)	(20,667,790)	(3,442,428)	(1,165,802)
Employee benefits expenses		(2,485,645)	(3,786,098)	(777,712)	(588,214)
Administration expenses		(449,105)	(944,069)	(308,884)	(136,765)
Depreciation expenses		(141,273)	(202,170)	(161,689)	(246,775)
Finance costs		(52,574)	(224,748)	(208,654)	(192,607)
Travel expenses		(403,887)	(709,378)	(120,156)	-
Rehabilitation expense		-	(221,546)	-	-
Changes in fair value of financial assets classified as fair value through profit or loss	7.4.8	(494,666)	1,346,531	-	-
Other income		-	-	-	925,215
Other expenses		(43,383)	(471,513)	(230,068)	(673,882)
Loss before tax		(15,464,246)	(25,846,076)	(5,185,038)	(2,061,686)
Income tax (expense) / benefit		(79,200)	237,600	-	-
Loss For The Period		(15,543,446)	(25,608,476)	(5,185,038)	(2,061,686)

7.2.2 Historical and Pro Forma Consolidated Balance Sheets

		Pro Forma 30 April 2008	Historical 30 April 2008	Historical 31 December 2007	Historical 31 December 2006	Historical 31 December 2005
	Note	\$	\$	\$	\$	\$
Current Assets						
Cash and cash equivalents	7.4.1, 7.4.10	86,179,814	179,814	167,722	187,085	80,491
Trade and other receivables		1,274,609	1,274,609	882,101	216,060	91,219
Other financial assets	7.4.8	851,865	851,865	1,346,531	-	-
Inventories		68,473	68,473	49,110	33,600	27,836
Deferred costs	7.4.10	-	1,341,723	1,207,792	-	-
Other		213,456	213,456	305,595	202,048	150,473
Total Current Assets		88,588,217	3,929,940	3,958,851	638,793	350,019
Non-Current Assets						
Other receivables	7.4.7	3,233,933	3,233,933	3,674,425	3,656,387	3,656,387
Available for sale financial assets	7.4.8	8,448,000	8,448,000	8,712,000	-	-
Property, plant and equipment		3,329,362	3,329,362	2,933,070	1,688,791	2,086,646
Mining and exploration tenements		8,493,727	8,493,727	8,493,727	8,493,727	8,493,727
Total Non-Current Assets		23,505,022	23,505,022	23,813,222	13,838,905	14,236,760
Total Assets		112,093,239	27,434,962	27,772,073	14,477,698	14,586,779
Current Liabilities						
Trade and other payables		3,963,909	3,963,909	4,893,759	878,059	111,357
Borrowings	7.4.10	-	74,736,737	58,525,553	24,784,749	20,723,797
Provisions		291,666	291,666	213,182	67,529	27,647
Total Current Liabilities		4,255,575	78,992,312	63,632,494	25,730,337	20,862,801
Non-Current Liabilities						
Borrowings	7.4.10	38,524,659	-	-	-	-
Rehabilitation provision		3,224,620	3,224,620	3,193,303	2,747,009	2,538,588
Total Non-Current Liabilities		41,749,279	3,224,620	3,193,303	2,747,009	2,538,588
Total Liabilities		46,004,854	82,216,932	66,825,797	28,477,346	23,401,389
Net Assets / (Liabilities)		66,088,385	(54,781,970)	(39,053,724)	(13,999,648)	(8,814,610)
Equity						
Issued capital	7.4.10	120,870,356	1	1	1	1
Investments revaluation reserve		369,600	369,600	554,400	-	-
Accumulated losses		(55,151,571)	(55,151,571)	(39,608,125)	(13,999,649)	(8,814,611)
Total Shareholders' Equity / (Deficit)		66,088,385	(54,781,970)	(39,053,724)	(13,999,648)	(8,814,610)

7.2.3 Historical Consolidated Statements of Changes in Equity

	Issued capital	Investments revaluation reserve	Accumulated losses	Total
	\$	\$	\$	\$
Balance at 1 January 2005	1	-	(6,752,925)	(6,752,924)
Loss for the year	-	-	(2,061,686)	(2,061,686)
Total recognised income and expense	-	-	(2,061,686)	(2,061,686)
Balance at 31 December 2005	1	-	(8,814,611)	(8,814,610)
Balance at 1 January 2006	1	-	(8,814,611)	(8,814,610)
Loss for the year	-	-	(5,185,038)	(5,185,038)
Total recognised income and expense	-	-	(5,185,038)	(5,185,038)
Balance at 31 December 2006	1	-	(13,999,649)	(13,999,648)
Balance at 1 January 2007	1	-	(13,999,649)	(13,999,648)
Gain on available-for-sale investments	-	554,400	-	554,400
Net income recognised directly in equity	-	554,400	-	554,400
Loss for the year	-	-	(25,608,476)	(25,608,476)
Total recognised income and expense	-	554,400	(25,608,476)	(25,054,076)
Balance at 31 December 2007	1	554,400	(39,608,125)	(39,053,724)
Balance at 1 January 2008	1	554,400	(39,608,125)	(39,053,724)
Loss on available-for-sale investments	-	(184,800)	-	(184,800)
Net loss recognised directly in equity	-	(184,800)	-	(184,800)
Loss for the period	-	-	(15,543,446)	(15,543,446)
Total recognised income and expense	-	(184,800)	(15,543,446)	(15,728,246)
Balance at 30 April 2008	1	369,600	(55,151,571)	(54,781,970)

7.2.4 Historical Consolidated Cash Flow Statements

	Note	Four Months ended 30 April 2008 \$	Full Year ended 31 Dec 2007 \$	Full Year ended 31 Dec 2006 \$	Full Year ended 31 Dec 2005 \$
Cash Flows from Operating Activities					
Receipts from customers		70,313	109,167	136,381	68,674
Payments to suppliers and employees		(16,051,837)	(22,905,634)	(4,090,179)	(2,624,278)
Interest paid		-	-	(233)	-
Net cash used in operating activities		(15,981,524)	(22,796,467)	(3,954,031)	(2,555,604)
Cash Flows from Investing Activities					
Interest received		11,625	23,341	10,007	2,240
Refund of security deposit		440,492	-	-	-
Payment for other receivables		-	(18,038)	-	-
Payment for other financial assets	7.4.8	-	(7,920,000)	-	-
Payments for property, plant and equipment		(537,565)	(1,467,733)	(129,949)	(1,417)
Proceeds from sale of property, plant and equipment		-	10,000	188,546	-
Net cash provided by /(used in) investing activities		(85,448)	(9,372,430)	68,604	823
Cash Flows from Financing Activities					
Payment for deferred costs		(133,931)	(1,207,792)	-	-
Proceeds from borrowings		16,212,995	33,357,326	3,992,021	1,933,670
Net cash provided by financing activities		16,079,064	32,149,534	3,992,021	1,933,670
Net Increase / (Decrease) in Cash and Cash Equivalents		12,092	(19,363)	106,594	(621,111)
Cash and Cash Equivalents at the Beginning of the Financial Period		167,722	187,085	80,491	701,602
Cash and Cash Equivalents at the End of the Financial Period	7.4.1	179,814	167,722	187,085	80,491

Notes to the Historical Financial Information are provided below.

7.3. Significant Accounting Policies

Basis of preparation

The Historical Consolidated Income Statements, Balance Sheets, Statements of Changes in Equity and Cash Flow Statements have been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and Interpretations. Accounting Standards include A-IFRS. The Pro Forma Consolidated Balance Sheet is based on the Historical Consolidated Balance Sheet as at 30 April 2008 assuming completion of the proposed Pro Forma transactions disclosed in section 7.4.10 on 30 April 2008.

The Historical Financial Information is presented in an abbreviated form in so far as it does not include all of the disclosures required by A-IFRS applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

The following significant accounting policies have been adopted in the preparation and presentation of the Historical Financial Information:

(a) Basis of consolidation

The consolidated financial information incorporates the financial information of the Company and entities controlled by the Company (its controlled entities) (collectively 'the Group' or the 'consolidated entity'). A controlled entity is any entity Ivanhoe Australia Limited has the power to control the financial and operating policies of the entity so as to obtain benefits from its activities. All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of controlled entities have been changed where necessary to ensure consistency with those policies applied by the Company.

(b) Accounts payable

Trade payables are recognised when Ivanhoe Australia becomes obliged to make future payments resulting from the purchase of goods and services.

(c) Financial assets

Other financial assets are classified in the following categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

At fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if Ivanhoe Australia manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Held-to-maturity investments

If Ivanhoe Australia has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses, with revenue being recognised on an effective yield basis.

Available-for-sale financial assets

Ivanhoe Australia's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available for sale monetary items, are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method less impairment.

Interest is recognised by applying the effective interest rate.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets 'at fair value through profit or loss'.

(d) Borrowings

Current

Borrowings are recorded at fair value. Borrowings comprise a loan from the ultimate parent entity which is interest free and repayable at call.

Non-current

Borrowings have been measured at amortised cost using the effective interest rate method in the Pro Forma Consolidated Balance Sheet pursuant to the Inter-company Loan agreement entered into between Ivanhoe Australia and Ivanhoe Mines (see section 9.6 of this Prospectus).

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures except where Ivanhoe Australia is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Ivanhoe Australia expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(g) Exploration, evaluation and development expenditure

Exploration costs are expensed in the period in which they are incurred until such time as it is determined that the area of interest has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop the area of interest are capitalised.

Presently, all exploration and evaluation expenditure is expensed in the period in which it is incurred.

(h) Impairment of other tangible and intangible assets

At each reporting date, Ivanhoe Australia reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When the asset does not generate cash flows that are independent from other assets,

Ivanhoe Australia estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of the asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(i) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except:

- i) where the amount of GST incurred is not recoverable from the Australian Taxation Office, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Authority, is classified as operating cash flows.

(j) Provisions

Provisions are recognised when Ivanhoe Australia has a present obligation (legal or constructive) as a result of a past event, it is probable that Ivanhoe Australia will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

(l) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(m) Mining and exploration tenements

Mine and exploration tenements recognised by the consolidated entity are recorded at cost less accumulated amortisation and any impairment losses. Amortisation of costs is provided on a unit-of-production method. The unit-of-production basis results in an amortisation charge proportional to the depletion of the economically recoverable mineral reserves. The net carrying value of each mine tenement is reviewed regularly and, to the extent to which this value exceeds its recoverable amount, that excess is either fully provided against or written off in the financial year in which this is determined.

(n) Rehabilitation provisions

An obligation to incur restoration, rehabilitation and environmental costs arises when an environmental disturbance is caused by the development or ongoing production of an area of interest. Costs arising from the installation of plant and other site preparation work, discounted to its net present value, are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged against profits over the life of the mine, through the depreciation of the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent environmental disturbance which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work that result from changes in the estimated timing or amount of the cash flow, or a change in the discount rate, are added to, or deducted from, the cost of the related asset in the current period. If a decrease in

the liability exceeds the carrying amount of the asset, the excess shall be recognised immediately in the income statement. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy above.

(o) Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The depreciation rates used for each class of depreciable assets are:

Buildings	10%
Plant and equipment	10-20%
Leasehold land	3.5%

7.4. Notes to Historical Financial Information

7.4.1 Cash and Cash Equivalents

	Historical 30 April 2008 \$
Cash on deposit	179,814

7.4.2 Contributed Equity

	Historical 30 April 2008 \$
1 fully paid ordinary share	1

Fully paid ordinary shares carry one vote per share and the right to receive dividends. The Directors may from time to time pay dividends to Shareholders out of the profits of Ivanhoe Australia. The Directors may pay any interim and final dividends as, in their judgment, the financial position of Ivanhoe Australia justifies. The Directors may fix the amount and time for and method of payment of the dividends. The payment of a dividend does not require any confirmation by Shareholders of Ivanhoe Australia in a general meeting.

As Ivanhoe Australia is a mineral exploration company and is not currently making profits, the Directors do not anticipate that Ivanhoe Australia will pay any dividends in the immediate future.

Movement in fully paid ordinary shares from incorporation to 30 April 2008 are set out below:

	Number	\$
On incorporation	1	1
Issues since incorporation	-	-
Balance at 30 April 2008	1	1

Subsequent to 30 April 2008, a share split occurred which has resulted in there being 250.0 million shares on issue prior to the Offer.

7.4.3 Share Plan

Employee Share Plan

Ivanhoe Australia has (post 30 April 2008) adopted a Share Plan, participation in which is open to Eligible Employees, namely selected full-time, part-time or casual employees (including Directors) of, or contractors to, Ivanhoe Australia or its subsidiaries, or Non-Executive Directors. Under the Share Plan, the Board may give Eligible Employees the opportunity to acquire Shares or rights to acquire Shares ("Performance Rights" or "Options").

No Shares, Performance Rights or Options were issued or acquired under the Share Plan during the financial period ended 30 April 2008 (as the Share Plan was established after that date) and Ivanhoe Australia did not otherwise issue Shares, Performance Rights or Options to Directors or Employees during that period.

After the date of this Prospectus and prior to Allotment, offers of 16,435,000 Performance Rights will be made to certain Directors, executives and employees of Ivanhoe Australia. Each Performance Right will entitle the holder to acquire one Share by way of issue.

Subject to receiving a necessary ASX Listing Rule waiver, the Directors and executives will not be required to pay any cash consideration for the acquisition of the Performance Rights or the Shares that are the subject of those rights.

The fair value of these Performance Rights, determined using the Black-Scholes valuation model is \$32,870,000. Of this amount, \$13,211,789 will be recorded as an expense in the income statement for the year ending 31 December 2008 and the remaining amount will be recorded as an expense over the subsequent 3 financial years.

A summary of the rules of the Share Plan, including the terms and conditions relating to the exercise of the Performance Rights, are set out in Section 9.9 of this Prospectus.

7.4.4 Key Management Personnel

The key management personnel of Ivanhoe Australia during the financial period were:

- Robert M Friedland, Chairman and Non-Executive Director
- Peter D Reeve, Chief Executive Officer and Managing Director
- William B Hayden, Non-Executive Director
- Douglas J Kirwin, Non-Executive Director
- Peter G Meredith, Non-Executive Director
- John A Macken, Non-Executive Director
- David M Korbin, Non-Executive Director
- David Woodall, Non-Executive Director
- Ian R Plimer, Non-Executive Director
- Darren Millman, Finance Manager & Company Secretary
- Barry Goss, General Manager – Development
- Paul Carter, Exploration Manager

The following non-executive director has been appointed since the end of the financial period:

- Kyle Wightman, Non-Executive Director (recently appointed)

On listing of Ivanhoe Australia on ASX, the Non-Executive Directors will be entitled to director fees, details of which are set out in Section 9.10.3 of this Prospectus.

7.4.5 Related Party Disclosure

(i) Transactions with other related parties

- During the four months ended 30 April 2008, Ivanhoe Cloncurry Mines Pty Limited, a wholly-owned subsidiary of Ivanhoe Australia Limited, borrowed funds of \$16,212,995 from Ivanhoe Mines Ltd (the ultimate parent entity).

(ii) Equity Holdings of key management personnel

As at 30 April 2008, no Shares, Performance Rights or Options were held by key management personnel.

After the date of this Prospectus, offers of 16,435,000 Performance Rights will be made to certain Directors, executives and employees of Ivanhoe Australia. Each Performance Right will entitle the holder to acquire one Share by way of issue. Further details relating to these Performance Rights are set out in Section 9.9.

7.4.6 Contingent Liabilities and Commitments

Exploration commitments

In order to maintain current rights of tenure to exploration and mining tenements there is an annual exploration expenditure requirement up until the expiry. These obligations, which are subject to renegotiation upon expiry, are not provided for in the Historical Consolidated Balance Sheet and are payable:

	Historical 30 April 2008 \$
- Not longer than 1 year	885,000
- Longer than 1 year and not longer than 5 years	4,880,000
- Longer than 5 years	-
Exploration commitments not recognised in the Historical Consolidated Balance Sheet	5,765,000

Non cancellable operating lease rentals are as follows:

	Historical 30 April 2008 \$
- Not longer than 1 year	116,838
- Longer than 1 year and not longer than 5 years	271,719
- Longer than 5 years	-
	388,557

Guarantees

Details and estimates of maximum amounts of contingent liabilities are as follows:

	Historical 30 April 2008 \$
Security deposits	3,233,933

Ivanhoe Australia has provided security bonds to the Queensland Department of Mines and Energy in satisfaction of financial assurances required to be held to ensure compliance with relevant provisions of the *Mineral Resources Act 1989*, the *Environmental Protection Act 1994* and *Environmental Protection and Other Legislation Amendment Act 2000*.

7.4.7 Other Receivables

	Historical 30 April 2008 \$
Non-current Security Deposits	3,233,933
	3,233,933

These deposits are held by the Queensland Government Department of Mines and Energy as performance guarantees in relation to the rehabilitation of the mine site area.

7.4.8 Other Financial Assets

	Historical 30 April 2008 \$
Current At fair value Options (ii)	851,865
Non-current At fair value Available-for-sale: Shares (i)	8,448,000
	9,299,865

(i) On 9 May 2007, Ivanhoe Australia announced that it had entered into a private placement investment in, and a joint-venture agreement with, Exco Resources. Exco Resources is an Australian mineral exploration company listed on the ASX.

The private placement consisted of 26.4 million units at a price of \$0.30 per unit, for a cost of \$7.9 million. Each unit consisted of one ordinary share and 0.8 share options. If all the options are exercised, the total cost of the investment will be \$15.3 million. The placement was funded by a loan from Ivanhoe Mines. The fair market value of the Exco Resources shares was \$8.448 million at 30 April 2008.

(ii) Ivanhoe Australia has 21.1 million share options in Exco Resources (refer Note 7.4.8 (i)). One share option allows Ivanhoe Australia to purchase one Exco Resources ordinary share at a price of \$0.35 on, or before, June 1, 2008. These options will be fair valued each period end with any gain or loss taken to the income statement. At 30 April 2008, the fair value of these options was \$0.852 million.

7.4.9 Tax Losses

The following deferred tax balances have not been brought to account:

	Historical 30 April 2008 \$
Deferred tax assets	
Tax losses – revenue	15,721,926
	15,721,926

The taxation benefits of tax losses and temporary differences not brought to account will only be obtained if:

- i. assessable income is derived of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;
- ii. conditions for deductibility imposed by the law are complied with; and
- iii. no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

No deferred tax asset has been recognised as it is not considered probable that there will be sufficient future taxable profits available against which the unused tax losses can be utilised in the foreseeable future.

7.4.10 Pro Forma Consolidated Balance Sheet

In preparing the Pro Forma Consolidated Balance Sheet, the following adjustments have been made to the Historical Consolidated Balance Sheet of Ivanhoe Australia as at 30 April 2008 to reflect the impact of the transactions outlined below had they taken place as at that date

- i. The issue of 62.5 million ordinary shares at the Offer Price, resulting in increases to both cash and issued capital of \$125 million;
- ii. The payment of \$9 million of further costs associated with the issue of shares under this Prospectus (assuming the issue of the above 62.5 million ordinary shares at the Offer Price) resulting in reduction of both cash and issued capital of \$9 million;
- iii. The repayment of part of the Inter-company Loan from Ivanhoe Mines as at 30 April 2008 resulting in the decrease in borrowings and cash of \$30.0 million;
- iv. The discounting of the Remaining Inter-company Loan (after the repayment of \$30.0 million) to reflect the terms of the Inter-company Loan agreement entered into by Ivanhoe Australia and Ivanhoe Mines as set out in Section 9.6 of this Prospectus. The discounting of the Remaining Inter-company Loan results in the decrease in borrowings of \$6.2 million and increase in issued capital of \$6.2 million;
- v. The reclassification of the Remaining Inter-company Loan from current to non-current liabilities pursuant to the terms of the Inter-company Loan agreement; and
- vi. The reclassification of prepaid share issue costs resulting in the decrease of deferred assets and issued capital of \$1.3 million.

These transactions result in net increases in cash of \$86 million and issued capital of \$120.9 million, net decreases in borrowings of \$36.2 million and deferred assets of \$1.3 million. These movements do not reflect the increase in the Inter-company Loan from Ivanhoe Mines of \$8.4 million, subsequent to 30 April 2008, as a result of the Exco Resources share transactions as described in Section 7.4.11 or the proposed repayment of that amount from the proceeds of the share issue.

The costs associated with the issue of shares under this Prospectus are estimates and accordingly, the amounts included in the Pro Forma Consolidated Balance Sheet are subject to change.

7.4.11 Subsequent Events

On 7 May 2008 the Company exercised the 21,120,000 share options in Exco Resources at \$0.35 per share for a total price of \$7,392,000. The Company has subsequently purchased an additional 3,000,000 Exco Resources shares at \$0.35 per share for a total price of \$1,050,000. This has resulted in Ivanhoe Australia Limited holding 19.9% of Exco Resources ordinary shares as at the date of the Prospectus.

On 14 May 2008, Peter Reeve was appointed as a director of Exco Resources.

7.4.12 Management's discussion and analysis of financial condition and results of operations

Going Concern

Ivanhoe Australia's interim financial report for the period ended 30 April 2008 and its 2007 and 2006 annual financial reports were prepared on a going concern basis, which contemplated continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The ability of Ivanhoe Australia to pay its debts as and when they become due and payable was dependent upon the continued financial support from the parent entity, Ivanhoe Mines. Ivanhoe Mines had resolved to provide any financial support for a period of twelve months from the date of signing of each such financial report or, if earlier, the date on which Ivanhoe Mines ceased to hold its shareholding in Ivanhoe Australia. Investors should note that although Ivanhoe Mines will remain a substantial shareholder of Ivanhoe Australia upon completion of this Offer, Ivanhoe Mines will be under no further obligation to provide financial support to Ivanhoe Australia.

Results of Operations

Ivanhoe Australia's mining tenements are in the exploration phase and no mining operations have taken place on these tenements since its incorporation. During the period from incorporation in January 2004 until 31 December 2007, Ivanhoe Australia had accumulated losses of \$39.61 million. Such losses are comprised primarily of exploration and evaluation expenses, which were \$20.67 million, \$3.44 million and \$1.17 million in the years ended 31 December 2007, 2006 and 2005 respectively, and other expenses including employee benefit expenses, losses on disposal of property, plant and equipment, rental expenses and depreciation of non-current assets. The increase in exploration and evaluation expenses in fiscal 2007 was principally due to an increase in contract drilling of \$12.54 million due to increased exploration activity.

Since its incorporation, Ivanhoe Australia has not generated any revenue from operations due to it being an exploration stage company. Revenue was \$34,705, \$64,533 and \$17,144 in the years ended 31 December 2007, 2006 and 2005 respectively. Revenue has comprised primarily interest revenue, rent revenue and incidental revenue from the sale of oxide ore stockpiles that were produced prior to Ivanhoe Australia's ownership and which are not ongoing. For the four months ended 30 April 2008, Ivanhoe Australia incurred a further loss of \$15.54 million. The loss was primarily due to exploration and evaluation expenses of \$11.41 million and employee benefits expenses of \$2.49 million. Ivanhoe Australia's total assets were \$27.77 million, \$14.48 million and \$14.59 million as at 31 December 2007, 2006 and 2005 respectively. The increase in fiscal 2007 was principally due to an increase of \$10.06 million in other financial assets, including

\$8.71 million which represented the fair market value of Ivanhoe Australia's investment in the Exco JV as at 31 December 2007, and \$1.35 million which represented the fair value of 21.1 million share options in the Exco JV.

As at 30 April 2008, Ivanhoe Australia's total assets were \$27.43 million. The decrease in total assets was due to decreases in the fair market value of Ivanhoe Australia's investment and in the fair value of its share options in the Exco JV and the return of \$0.44 million security deposit previously held by the Queensland Government of Mines and Energy as performance guarantees in relation to the rehabilitation of the mine site area.

Ivanhoe Australia had net liabilities of \$39.05 million, \$13.99 million and \$8.81 million as at 31 December 2007, 2006 and 2005 respectively. The increase was primarily due to increases in borrowings from Ivanhoe Mines over this period, which were \$58.53 million, \$24.78 million and \$20.72 million as at 31 December 2007, 2006 and 2005 respectively.

As at 30 April 2008, Ivanhoe Australia's net liabilities were \$54.78 million. The increase in net liabilities was due to a \$16.21 million increase in borrowings from Ivanhoe Mines.

Further, Ivanhoe Australia had accumulated tax losses of \$15.72 million as at 30 April 2008, which have not been brought to account. No deferred tax asset has been recognised on Ivanhoe Australia's balance sheet as it is not considered probable that there will be sufficient future taxable profits available against which the unused tax losses can be utilised in the foreseeable future.

Liquidity and Capital Resources

Historically, Ivanhoe Australia's cash requirements have been funded through financial support from Ivanhoe Mines. As at 30 April 2008, \$74.74 million was outstanding under the Inter-company Loan. See "Inter-company Loan from parent company" below for further information. Ivanhoe Australia expects to repay \$30 million of the amount outstanding under the Inter-company Loan as at 30 April 2008 from the Offer Proceeds. The monies borrowed from Ivanhoe Mines subsequent to 30 April 2008 to fund the purchase of Exco Resources shares of \$8.4 million will also be repaid from the Offer Proceeds. That part of the Inter-company Loan that is not repaid out of the Offer Proceeds will remain as a liability on the Ivanhoe Australia consolidated balance sheet.

Ivanhoe Australia's cash flows from operating, investing and financing activities in the four months ended 30 April 2008 and the years ended 31 December 2007, 2006 and 2005 are summarised below:

	30 April 2008	31 December 2007	31 December 2006	31 December 2005
	\$	\$	\$	\$
Cash provided by (used in):				
Operating activities	(15,981,524)	(22,796,467)	(3,954,031)	(2,555,604)
Investing activities	(85,448)	(9,372,430)	68,604	823
Financing activities	16,079,064	32,149,534	3,992,021	1,933,670

Cash flow from (used in) operating activities

Net cash flow used in operating activities was \$22.8 million, \$3.95 million and \$2.56 million in the years ended 31 December 2007, 2006 and 2005 respectively. The significant increase in fiscal 2007 was due to an increase of \$18.81 million in payments to suppliers and employees in the 2007 financial year.

For the four months ended 30 April 2008, net cash flow used in operating activities was \$15.98 million, comprising \$16.05 million of payments to suppliers and employees.

Cash flow from (used in) investing activities

Net cash used in investing activities was \$9.37 million in the year ended 31 December 2007 and net cash from investing activities was \$0.07 million and \$823 in the years ended 31 December 2006 and 2005 respectively. The significant increase in the 2007 financial year was due to a one off private placement investment in, and joint-venture agreement with, Exco Resources in May 2007 at a cost of \$7.92 million and increased expenditure on property, plant and equipment of \$1.34 million in the 2007 financial year.

For the four months ended 30 April 2008, net cash flow used in investing activities was \$0.08 million, primarily due to a \$0.44 million refund of a security deposit previously held by the Queensland Department of Mines and Energy as performance guarantees, in relation to the rehabilitation of the mine site area, which was offset by \$0.54 million of expenditure on property, plant and equipment.

Cash flow from (used in) financing activities

Net cash provided by financing activities was \$32.15 million, \$3.99 million and \$1.93 million in the years ended 31 December 2007, 2006 and 2005 respectively. The significant increase in the 2007 financial year was due to increased proceeds from borrowings from the Inter-company Loan with Ivanhoe Mines, which was marginally offset by a \$1.21 million payment for deferred costs that represent prepaid share issue costs incurred in respect of this Offer that will be reclassified to equity as a reduction in share capital once the Offer is complete.

During the four months ended 30 April 2008, Ivanhoe Australia borrowed additional funds of \$16.21 million from Ivanhoe Mines.

Future Sources and Uses

Ivanhoe Australia's principal liquidity needs are expected to be exploration and development expenses and corporate and other working capital requirements (including public company costs) following completion of the Offer. See Section 2.3 of this Prospectus for further information.

Ivanhoe Australia's principal sources of liquidity consist of cash and cash equivalents and borrowings from Ivanhoe Australia's parent company. Upon completion of the Offer, Ivanhoe Australia expects to fund its continuing exploration activities and capital requirements with the proceeds of the Offer. The proceeds will be primarily used to fund Ivanhoe Australia's current exploration and development programs budgeted to be \$32.1 million and \$39.3 million respectively.

Cash and equivalents

Ivanhoe Australia's existing balance of cash and cash equivalents at 30 April 2008 and 31 December 2007 consisted entirely of borrowing proceeds from Ivanhoe Mines.

Inter-company Loan from parent company

As at 30 April 2008, \$74.74 million was outstanding in the form of an Inter-company Loan between Ivanhoe Australia and its parent company, Ivanhoe Mines. Ivanhoe Australia expects that \$30 million of the Offer Proceeds will be used to repay a portion of this loan as at 30 April 2008. The monies borrowed from Ivanhoe Mines subsequent to 30 April 2008 to fund the purchase of the Exco Resources shares of \$8.4 million will also be repaid from the Offer Proceeds. The portion of the Inter-company Loan that is not repaid out of the Offer Proceeds will remain as a liability on its balance sheet and will have a 5 year maturity from 17 June 2008. The Inter-company Loan will be interest free for a period of eighteen months from 17 June 2008 and thereafter will accrue interest at the rate of BBR plus 2.50% per annum.

Ivanhoe Australia believes that its cash and cash equivalents, the Offer Proceeds and the borrowings from Ivanhoe Mines will be sufficient to meet its capital requirements for its current exploration and development program, as described in this Prospectus. Investors should note, however, that Ivanhoe Australia may need additional funds, or may seek to develop opportunities of a kind that will require it to raise additional capital from debt or equity sources. There can be no assurance that Ivanhoe Australia will be able to raise such financing on acceptable terms or at all. If Ivanhoe Australia is unable to obtain such additional financing, it may be required to reduce the scope of its anticipated activities, which could adversely affect its business, financial condition and operating results.

Off-Balance Sheet Arrangements

Ivanhoe Australia does not have any off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Contingent Liabilities and Contractual Obligations

A summary of Ivanhoe Australia's significant contractual obligations with respect to its exploration commitments, operating leases and security bonds, as at 30 April 2008, is set out in Section 7.4.6 of this Prospectus. No obligations relating to the development of its mining operations are reflected in the table because Ivanhoe Australia has not yet conducted feasibility studies or entered into definitive agreements with respect to the exploitation of its mining tenements.

Quantitative and Qualitative Disclosure about Market Risk

A discussion of Ivanhoe Australia's market risk exposure in relation to each class of financial asset, financial liability and equity instrument is set out in note 26 to the 2007 Annual Financial Report. The 2007 Annual Financial Report (means Ivanhoe Australia's audited financial statement, containing balance sheet, income statement and statement of cash flows for the year 31 December 2007, together with the notes thereto and the directors' declaration about the statements and notes, prepared in accordance with the Corporations Act), does not form part of this Prospectus and neither it nor any part of it is in any way included or incorporated by reference in this Prospectus. A copy of the 2007 Annual Financial Report is available for inspection at the Company's registered office (see Section 9.16).

Exposure to Currency Fluctuations

Ivanhoe Australia has historically reported an exposure to US currency fluctuation, which was a direct result of increases in an undocumented inter-company loan of \$33.75 million (US\$31.66 million) in the fiscal 2007 to \$58.53 million (US\$51.22 million) as at 31 December 2007. An Inter-company Loan Agreement (as detailed above) was formalised in June 2008, in which the Inter-company Loan has been denominated in Australian dollars.

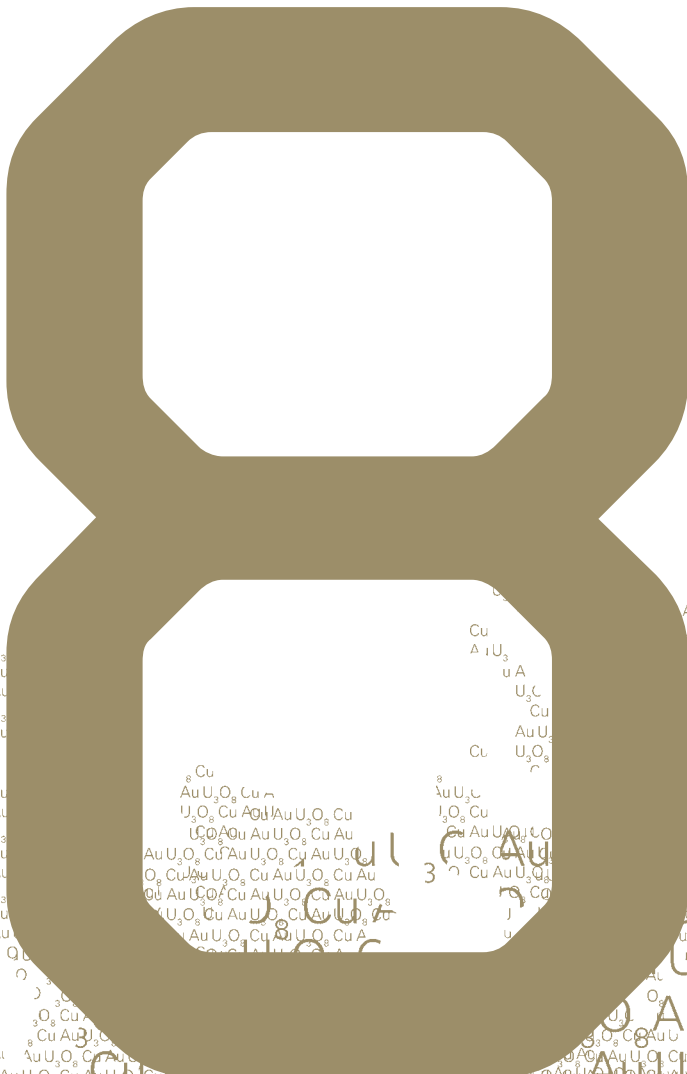
Interest Rate Risk

Historically, interest rates on Ivanhoe Australia's cash deposits have been variable. Ivanhoe Australia does not hedge its interest rate risk. See note 26 to its 2007 Annual Financial Report for an analysis of interest rate risk.

Summary of Critical Accounting Policies

Ivanhoe Australia's significant accounting policies are set forth in Section 7.3 of this Prospectus and more fully described in note 2 to its 2007 Annual Financial Report. Certain Ivanhoe Australia accounting policies require it to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent liabilities. Changes in these estimates or assumptions could materially affect Ivanhoe Australia's financial position and results of operations.

Investigating Accountants' Report and Solicitor's Report on Mining Tenements





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The Directors
Ivanhoe Australia Limited
Level 9
479 St Kilda Road
Melbourne, VIC 3004

4 July 2008

Dear Sirs

IVANHOE AUSTRALIA LIMITED – INVESTIGATING ACCOUNTANTS' REPORT

INTRODUCTION

We have prepared this Investigating Accountants' Report ('Report') at the request of the Directors of Ivanhoe Australia Limited (the 'Company' or 'Ivanhoe Australia') for inclusion in a Prospectus to be dated on or about 4 July 2008 to be issued by the Company regarding the initial public offering of shares in the Company and its subsequent listing on the Australian Securities Exchange.

References to Ivanhoe Australia, the Company, and other terminology used in this report have the same meaning as defined in the Glossary of the Prospectus in which this report appears.

SCOPE OF REPORT

You have requested that Deloitte Touche Tohmatsu prepare an Investigating Accountants' Report reviewing the following financial information prepared in accordance with the relevant accounting policies set out in Section 7.3 of the Prospectus:

- (a) the Historical Consolidated Balance Sheets of Ivanhoe Australia as at 30 April 2008, 31 December 2007, 31 December 2006 and 31 December 2005;
- (b) the Historical Consolidated Income Statements of Ivanhoe Australia for the 4 months ended 30 April 2008 and the years ended 31 December 2007, 31 December 2006 and 31 December 2005;
- (c) the Historical Consolidated Statements of Changes in Equity of Ivanhoe Australia for the 4 months ended 30 April 2008 and the years ended 31 December 2007, 31 December 2006 and 31 December 2005;
- (d) the Historical Consolidated Cash Flow Statements of Ivanhoe Australia for the 4 months ended 30 April 2008 and the years ended 31 December 2007, 31 December 2006 and 31 December 2005;
- (e) the Pro Forma Consolidated Balance Sheet of Ivanhoe Australia as at 30 April 2008 which assumes completion of the proposed pro forma transactions disclosed in Section 7.4.10 of the Prospectus as at 30 April 2008; and
- (f) notes to the above financial information.

Together we refer to the above hereafter as the 'Historical Financial Information'.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of
Deloitte Touche Tohmatsu



The Pro Forma Consolidated Balance Sheet has been derived from the reviewed interim consolidated financial statements of Ivanhoe Australia for the 4 months ended 30 April 2008, after adjusting for the pro forma transactions described in Section 7.4.10 of the Prospectus. The interim consolidated financial statements of Ivanhoe Australia were reviewed by Deloitte Touche Tohmatsu in accordance with the Australian Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Our review statement on the interim consolidated financial statements of Ivanhoe Australia for the 4 months ended 30 April 2008 was unqualified.

The Directors of Ivanhoe Australia are responsible for the preparation of the Historical Financial Information, including the determination of the pro forma transactions and/or adjustments. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the Historical Financial Information.

The Historical Financial Information is presented in an abbreviated form in so far as it does not include all of the disclosures required by Accounting Standards in Australia applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

SCOPE OF REVIEW – HISTORICAL FINANCIAL INFORMATION

We have reviewed the Historical Financial Information of Ivanhoe Australia in order to state whether, on the basis of the procedures described, anything has come to our attention which causes us to believe that the Historical Financial Information is not presented fairly in accordance with the accounting policies adopted by Ivanhoe Australia as described in Section 7.3 of the Prospectus.

Our review of the Historical Financial Information has been conducted in accordance with Australian Auditing Standard AUS 902 'Review of Financial Reports'. We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

REVIEW STATEMENT – HISTORICAL FINANCIAL INFORMATION

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- (a) the Historical Consolidated Balance Sheets of Ivanhoe Australia do not present fairly the consolidated financial position of Ivanhoe Australia as at 30 April 2008, 31 December 2007, 31 December 2006 and 31 December 2005;
- (b) the Historical Consolidated Income Statements, Statements of Changes in Equity and Cash Flow Statements do not present fairly the consolidated financial performance, changes in equity and cash flows of Ivanhoe Australia for the 4 months ended 30 April 2008 and the years ended 31 December 2007, 31 December 2006 and 31 December 2005;



- (c) the Pro Forma Consolidated Balance Sheet of Ivanhoe Australia as at 30 April 2008, which assumes completion of the proposed pro forma transactions disclosed in Section 7.4.10 as at 30 April 2008, does not present fairly the pro forma consolidated financial position of Ivanhoe Australia as at 30 April 2008;

in accordance with the accounting policies adopted by Ivanhoe Australia as described in Section 7.3 of the Prospectus.

SUBSEQUENT EVENTS

Subsequent to 30 April 2008 and up to the date of this Report, nothing has come to our attention that would cause us to believe material transactions or events outside of the ordinary course of business of Ivanhoe Australia have occurred, other than matters dealt with in this Report or the Prospectus, which would require comment on, or adjustment to, the information in our Report or that would cause such information to be misleading.

INDEPENDENCE AND DISCLOSURE OF INTERESTS

Deloitte Touche Tohmatsu does not have any interest in the outcome of this issue other than the preparation of this Report for which normal professional fees will be received. Deloitte Touche Tohmatsu is the auditor of the Company.

RESPONSIBILITY

Deloitte Touche Tohmatsu has consented to the inclusion of this Investigating Accountants' Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, Deloitte Touche Tohmatsu makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Yours faithfully,

A handwritten signature in black ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink that reads "Graham McHarrie".

Graham McHarrie
Partner
Chartered Accountants

Deloitte.

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MinterEllison

L A W Y E E R S

1 July 2008

The Directors
Ivanhoe Australia Limited
Level 9
479 St Kilda Road
MELBOURNE VIC 3004

Dear Sirs

Solicitor's report on mining tenements

This Solicitor's report on mining tenements (**Report**) has been prepared for inclusion in the Ivanhoe Australia Limited prospectus to be dated on or about 3 July 2008 (**Prospectus**) for the offer of shares in Ivanhoe Australia Limited ACN 107 689 878 (**Ivanhoe Australia**).

We were instructed by Ivanhoe Australia to report on the mining tenements outlined below (**Company's Tenements**) which are owned by Ivanhoe Australia's wholly owned subsidiary Ivanhoe Cloncurry Mines Pty Ltd (ACN 106 255 216) (**Company**) and the tenements held by Exco Resources Limited (and its subsidiary) to which the Company has rights under a Joint Venture (**Exco Joint Venture**).

Capitalised terms in this Report have the meaning given in the Glossary at Annexure 1.

1. MINTER ELLISON'S RESPONSIBILITY

1.1 This Report

This Report summarises Minter Ellison's findings with respect to the Company's Tenements, including native title and cultural heritage issues associated with the Company's Tenements and Minter Ellison's findings with respect to the tenements the subject of the Exco Joint Venture (**ME Tenement Due Diligence**).

This Report has been prepared only for the purposes of the Prospectus and is not to be relied on or used for any other purpose.

1.2 Extent and nature of due diligence

The ME Tenement Due Diligence was concerned with legal due diligence within Minter Ellison's expertise as lawyers. The primary function of the ME Tenement Due Diligence was to confirm that:

- (a) the Company has good title to the Company's Tenements; and
- (b) the Company has complied with material applicable laws relating to the Company's Tenements, other than environmental laws.

The secondary function of the ME Tenement Due Diligence was to report on the Company's rights under the Exco Joint Venture.

The ME Tenement Due Diligence has not involved investigations into the Company's compliance with applicable environmental legislation or confirmation of whether the Company holds any required environmental authorities.

The ME Tenement Due Diligence was not concerned with business, geological, financial or taxation due diligence or an evaluation of business risks and taxation or financial issues. An independent geologist's report has been prepared separately to evaluate the geological prospectivity of the Company's Tenements.

1.3 Specific Scope

The ME Tenement Due Diligence in relation to the Company's Tenements involved a review of:

- (a) public records searches obtained from DME and DNRW; and
- (b) information and documents obtained from DME and DNRW.

In the course of these investigations, Minter Ellison obtained the following searches and maps:

- (a) DME public enquiry reports in relation to the Company's Tenements dated 13 May 2008, 15 May 2008 and 16 May 2008, and on 1 July 2008 (limited to an application for EPM17658 made by the Company on 2 June 2008);
- (b) *Merlin* and *Smart* maps obtained from DME in relation to the Company's Tenements dated 1 February 2007, 22 February 2007, 21 May 2007, 29 June 2007, 4 February 2008, 5 February 2008 and 15 May 2008; and
- (c) water entitlement search obtained from DNRW on 13 February 2007.

This Report does not incorporate any information made available after the dates specified in this Report or if no date is specified, after the date of this Report.

2. ASSUMPTIONS

Minter Ellison has made the following assumptions in conducting its due diligence investigations:

- (a) due and proper execution of, and proper authority to execute, all documents;
- (b) authenticity of all signatures, seals, duty stamps and other markings on documents made available to Minter Ellison;
- (c) the accuracy, completeness and conformity to originals of all documents made available to Minter Ellison;
- (d) all documents continue unamended (other than as noted in the documents reviewed) and in full force and effect;
- (e) all facts stated in documents, and responses to requests for further information, and other material on which Minter Ellison has relied in providing this Report, are and continue to be correct, and no relevant matter has been misstated or withheld from Minter Ellison (whether deliberately or inadvertently);
- (f) the constitutional validity, legality and effective passing, introduction and implementation of all relevant legislation, regulations, codes, by-laws, orders in council and other relevant statutory instruments;

- (g) that the details revealed by searches of public registers maintained by governmental or other regulatory authorities have been properly and accurately recorded in those registers by those authorities. It must be noted that many public and governmental registers do not have adequate recording procedures in place and delays occur between filing and notification on a publicly available register; and
- (h) that there were no other documents or materials other than those which were disclosed to Minter Ellison and which Minter Ellison was instructed to review, which related to the matters which Minter Ellison examined.

3. QUALIFICATIONS

- (a) Minter Ellison has in the performance of its legal due diligence enquiries:
 - (i) acted on Ivanhoe Australia's and the Company's written and oral instructions as to the manner and extent of enquiries to be conducted; and
 - (ii) been constrained by considerations of, and instructions regarding:
 - (A) the due diligence material to be reviewed and the way it was to be reviewed;
 - (B) the availability and source of relevant material;
 - (C) the restrictions on, or exclusions of, access to sources which might have been used to verify information; and
 - (D) reliance on (without verification of) information supplied by Ivanhoe Australia and the Company.
- (b) It is essential to recognise that the accuracy and utility of this Report depends substantially on the quality of the due diligence material. Only to a limited extent can information be verified by searches of public and statutory registers or other independent sources.
- (c) In providing this Report, Minter Ellison only holds itself out as having legal skills and expertise with respect to the laws of the Commonwealth of Australia and its States and Territories, and the Report is given on the basis that it will be construed in accordance with those laws. Minter Ellison expresses no opinion about the laws of any other jurisdiction or (except as expressly provided in this Report) any factual matters.
- (d) Minter Ellison was instructed on legal aspects only of the due diligence. Minter Ellison specifically disclaims any skills or expertise in any other capacity, whether financial, statistical, accounting, geological, operational or otherwise.

4. THE COMPANY'S TENEMENTS

4.1 Schedule of mining leases, exploration permits and applications exploration permits held by the Company

Subject to paragraph 4.8, the Company is the sole registered holder of fifteen exploration permits and twenty mining leases, and has applied for a further five exploration permits, as detailed below (the **Company's Tenements**) (all of which are situated in the Cloncurry District):

Ivanhoe Australia Limited
1 July 2008

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Tenement	Grant date	Current term	Area
EPM 7221*	24 April 1990	24 April 2006 – 23 April 2008 Renewal lodged 21 January 2008	3 sub-blocks
EPM 8116*	31 July 1991	31 July 2004 – 30 July 2006 Renewal lodged 20 March 2006	6 sub-blocks
EPM 9116*	18 December 1992	18 December 2007 – 17 December 2008	109 sub-blocks
EPM 10577*	22 June 1995	22 June 2006 – 21 June 2009	2 sub-blocks
EPM 10783*	26 October 1995	26 October 2005 – 25 October 2007 Renewal lodged 9 July 2007	238 sub-blocks
EPM 10908*	31 January 1996	31 January 2007 – 30 January 2008 Renewal lodged 30 October 2007	22 sub-blocks
EPM 11071*	13 May 1996	13 May 2008 – 12 May 2010	4 sub-blocks
EPM 11220*	10 July 1996	10 July 2006 – 9 July 2008 Renewal lodged 8 April 2008	1 sub-block
EPM 13505*	6 February 2002	6 February 2002 – 5 February 2007 Renewal lodged 30 October 2006	11 sub-blocks
EPM 14687*	7 July 2005	7 July 2005 – 6 July 2010	19 sub-blocks
EPM 14688*	7 July 2005	7 July 2005 – 6 July 2010	57 sub-blocks
EPM 14689*	7 July 2005	7 July 2005 – 6 July 2010	48 sub-blocks
EPM 14733*	16 February 2006	16 February 2006 – 15 February 2010	15 sub-blocks
EPM 15218*	24 October 2007	24 October 2007 – 23 October 2012	25 sub-blocks
EPM 15282*	30 August 2007	30 August 2007 – 29 August 2012	29 sub-blocks
EPM 16201*	Application	1 March 2007 (lodged)	57 sub-blocks
EPM 17417*	Application	3 March 2008 (lodged)	72 sub-blocks
EPM 17424*	Application	3 March 2008 (lodged)	53 sub-blocks
EPM 17540*	Application	8 April 2008 (lodged)	3 sub-blocks
EPM 17658* [^]	Application	2 June 2008 (lodged)	15 sub-blocks
ML 2454* ¹	22 November 1973	1 December 1983 – 30 November 2004 Renewal lodged 28 April 2004	3.966 Ha
ML 2566* ²	6 December 1973	1 January 1991 – 31 December 2010	32.37 Ha
ML 2688 ^f	21 June 1979	1 July 2000 – 30 June 2020	125.48 Ha
ML 2689 ^f	27 April 1978	1 May 1999 – 30 April 2010	129.6 Ha
ML 2690 ^f	24 August 1978	1 September 1999 – 31 August 2010	129.6 Ha
ML 2691 ^f	12 July 1979	1 August 2000 – 31 July 2020	120.46 Ha
ML 2692 ^f	24 August 1978	1 September 1999 – 31 August 2010	129.6 Ha
ML 2693 ^f	24 August 1978	1 September 1999 – 31 August 2010	129.6 Ha
ML 2694 ^f	14 September 1978	1 October 1999 – 30 September 2010	106.34 Ha
ML 2732 ^{f1}	12 May 1988	1 June 1988 – 31 May 2009	122.89 Ha

Tenement	Grant date	Current term	Area
ML 2733 ^{#2}	12 May 1988	1 June 1988 – 31 May 2009	1363.4 Ha
ML 2734 ^{#3}	21 June 1990	1 July 1990 – 30 June 2011	129.4 Ha
ML 2735 ^{#3}	21 June 1990	1 July 1990 – 30 June 2011	129.4 Ha
ML 2736 ^{#3}	21 June 1990	1 July 1990 – 30 June 2011	125.434 Ha Surface Area: 108.534 Ha
ML 2737 ^{#3}	21 June 1990	1 July 1990 – 30 June 2011	129.3 Ha Surface Area: 90.901 Ha
ML 2738 ^{#1}	21 June 1990	1 July 1990 – 30 June 2011	129.4 Ha
ML 2745 ^{#4}	31 May 1986	1 June 1988 – 31 May 2009	688 Ha
ML 2746 ^{#4}	12 May 1988	1 June 1988 – 31 May 2009	627.73 Ha
ML 90043 ^{#5}	10 March 1994	1 April 1994 – 31 March 2014	33.4 Ha
ML 90061 ^{#5}	2 February 1995	1 March 1995 – 28 February 2015	144 Ha

* For the purpose of all minerals other than coal.

^{#1} For the purpose of Copper Ore

^{#2} For the purpose of Silver Ore; Gold; Bismuth Ore; Cadmium Ore; Cobalt Ore; Caesium; Copper Ore; Fluorite/Fluorspar; Iridium; Molybdenum Ore; Nickel Ore; Osmium; Lead Ore; Palladium; Platinum; Rhodium; Ruthenium; Antimony Ore; Tin Ore; Tantalum/Tantalite; Titanium Ore; Tungsten/Wolfram/ Scheelite; Zinc Ore

[#] For the purpose of Silver Ore; Gold; Cobalt Ore; Copper Ore; Molybdenum Ore; Lead Ore; Uranium Ore; Zinc Ore

^{#1} For the purpose of Silver Ore; Gold; Cobalt Ore; Copper Ore; Lead Ore; Sulphur; Zinc Ore

^{#2} For the purpose of Silver Ore; Gold; Copper Ore; Iron Ore; Lead Ore; Sulphur; Tailings/Settling Dam; Treatment Plant/Mill Site; Zinc Ore

^{#3} For the purpose of Silver Ore; Gold; Cobalt Ore; Copper Ore; Iron Ore; Lead Ore; Sulphur; Zinc Ore

^{#4} For the purpose of Stock Pile Ore/Overburden; Tailings/Settling Dam; Treatment Plant/Mill Site

^{#5} For the purpose of Silver Ore; Gold; Cobalt Ore; Copper Ore; Iron Ore; Molybdenum Ore; Lead Ore; Sulphur; Zinc Ore

^{#6} For the purpose of Silver Ore; Gold; Cobalt Ore; Copper Ore; Iron Ore; Molybdenum Ore; Iron-Magnetite; Lead Ore; Sulphur; Zinc Ore

^{#7} For the purpose of Gold; Cobalt Ore; Copper Ore; Iron Ore; Manganese Ore; Iron-Magnetite; Lease Ore; Rare Earths and Zinc Ore

[^]See paragraph 4.3

4.2 Renewal Applications

Renewal applications for six of the Company's EPMs (EPM 7221, EPM 8116, EPM 10783, EPM 10908, EPM 11220 and EPM 13505) are currently being considered by DME. The renewal application for EPM 10783 which expired on 25 October 2007 should have been made before 25 July 2007 (see section 147 of the MRA). However, as this application was not lodged until 29 August 2007, the Minister will have a discretion whether to allow the application for renewal. Renewals of these EPMs are subject to compliance with the provisions of the MRA and may be granted at the discretion of the Minister (see section 147 and 147A of the MRA). Each EPM will continue in force subject to the rights, entitlements and obligations in effect immediately before the end of the expiry day until the application is withdrawn, refused or granted, provided that the renewal application was properly made and the Company continues to pay rent and comply with the MRA and the conditions of the exploration permits (see section 147C of the MRA). In order for the renewal application for EPM 10783 to be properly made Ministerial approval of it being made late may be required.

A renewal application for ML 2454 was lodged on 28 April 2004 and is still being considered by DME. Renewals of MLs are subject to compliance with the provisions of

the MRA and may be granted at the discretion of the Minister and the Governor in Council (see section 286 and 286A of the MRA). ML 2454 will continue in force subject to the rights, entitlements and obligations in effect immediately before the end of the expiry day until the application is withdrawn, refused or granted, provided that the renewal application was properly made and the Company continues to pay rent and complies with the MRA and conditions of the mining lease (see section 286C of the MRA).

We cannot predict with certainty when, or if, the Company's applications for renewal of existing tenements will be granted. However, we are not aware of any matters which we would expect would prevent the grant of such applications.

4.3 Exploration Permit Applications

The Company applied for EPM 16201 in March 2007 and EPM 17417, EPM 17424, EPM 17540 in March and April 2008 and EPM17658 on 2 June 2008.

The Company's applications for the grant of exploration permits are subject to compliance with the requirements of the MRA. This may include conferences with land owners affected by the applications and consideration of objections lodged. Native title and environmental issues may also need to be addressed. Granting of the exploration permits is subject to compliance with the above requirements (and others) and the decision of the Minister. We expect that compliance with the requirements of the MRA, including native title procedures will take some months.

The Company has advised that it has made an application for EPM17658 on 2 June 2008. A public enquiry report conducted on 1 July 2008 has confirmed this application was made at 2.30pm on that date. The search has also revealed, however, that forty-five minutes later, an application for EPM17653 was lodged by ActivEX Limited, a Brisbane-based exploration company, over 8 of the same sub-blocks applied for by the Company under the application for EPM 17658. Under section 134A of the MRA, if applications for EPMs are lodged on the same day, the applications take the priority the Minister decides after the Minister considers the relative merits of each application. DME has verbally advised that the relative merits of the applications will be determined by the Minister on the basis of advice from DME geologists. DME has also verbally advised that, if the application for EPM17658 is not decided in the Company's favour, it will nevertheless be offered the remaining 7 sub-blocks in its application that have not been applied for by ActivEX Limited.

We cannot predict with certainty when, or if, the Company's applications for new exploration permits will be granted. However, apart from what we have indicated about EPM17658, we are not aware of any matters which we would expect would prevent the grant of such applications.

4.4 General Comments regarding the Company's Tenements

The Company's granted exploration permits and mining leases are in good standing. Subject to our comments in paragraph 4.8 regarding joint ventures and a consent caveat lodged over EPM 10783, the Company's exploration permits and mining leases are unencumbered. All financial requirements have been met for each mining lease and each exploration permit. DME holds a security deposit in the amount of A\$3,150,395.00 (at 2 June 2008) for the Company's mining leases and security deposits totalling A\$80,528.46 (at 13 May 2008 including interest accrued) for the Company's exploration permits.

Two mining leases (ML 2736 and ML 2737) require the addition of surface areas. If the Company decides to apply for the addition of surface area to these mining leases, native

title issues will have to be addressed prior to the grant of additional surface areas and sufficient time will be required to enable the native title process to be completed if drilling on these mining leases is required.

4.5 Compensation agreements

Where a mining lease is situated over property owned by a third party, the MRA requires that compensation is determined between the mining tenement applicant and the relevant owner of land before a mining tenement will be granted or renewed. Although compensation was determined with relevant landholders by previous holders of the mining leases, a number of the compensation agreements for the Company's mining leases have not been properly assigned to the Company. While this is not necessarily a problem during the term of the mining leases it may need to be addressed before a renewal of the relevant tenements will be granted.

4.6 Overlapping Tenements

(a) EPM 9116

Mining claim 4310 (held by Kaldig Pty Limited) is within the boundaries of EPM 9116. While mining claim 4310 is in force the area of mining claim 4310 will be excluded from the area of EPM 9116 (see section 132 of the MRA).

ML 90081 (held by Matrix Metals Limited) is surrounded by, but is not a part of EPM 9116 as EPM 9116 was the pre-requisite tenure upon which ML 90081 was granted. ML 90081 covers an area of 1247 Ha to a depth of 100m, however, surface rights have only been granted over 271.6395 Ha. An application to include additional surface area under ML 90081 was still being considered by DME at 13 May 2007. As ML 90081 has only been granted to a depth of 100m, the Company may explore below that depth beneath ML 90081.

A number of mining leases held by third parties (including ML 7559, ML 7511, ML 7512, ML 90084 and ML 90099) are also within the boundaries of EPM 9116. While these MLs are in force, their area will be excluded from EPM 9116 (see section 132 of the MRA).

(b) EPM 10783

A number of the Company's mining leases and a number of mining leases held by third parties (including ML 90083, ML 90187, ML 2466, ML 2487, ML 2517, ML 2541, ML 2656 and ML 2659) are within the boundaries of EPM 10783. While these MLs are in force, their area will be excluded from EPM 10783 (see section 132 of the MRA).

(c) EPM 11071

ML 2711 (held by Spinifex Mines Pty Ltd) is within the boundaries of EPM 11071. While ML 2711 is in force, the area of ML 2711 will be excluded from EPM 11071 (see section 132 of the MRA).

(d) EPM 15282

ML 90083 (held by Maxiforde Pty Ltd) is within the boundaries of EPM 15282. While ML 90083 is in force, the area of ML 90083 will be excluded from EPM 15282 (see section 132 of the MRA).

(e) EPMA 17417, EPMA 17424, EPM 15218, EPM 14688, EPM 14689

EPMA 17417, EPMA 17424, EPM 15218, EPM 14688 and EPM 14689 are all entirely within the area of the application for ATP 914 held by Hedges Gas Pty Ltd. EPM 14688 is also overlapped by a pipeline licence (PPL 41 held by Roverton Pty Ltd and APT Pipelines (Qld) Pty Limited). We have not conducted overlapping tenement searches for EPMA17658.

Under the provisions of the MRA and the PG Act, the holders of overlapping ATPs/PPLs and EPMs may only carry out authorised activities on the overlapping area if:

- (i) the respective holder has agreed in writing to the carrying out of the activity, a copy of the agreement has been lodged at the relevant office and the agreement is still in force; or
- (ii) carrying out the activity does not adversely affect the carrying out of an authorised activity for the ATP/PPL/EPM that has already started (see section 3A(6) of the MRA and section 6 of the PG Act).

Although ATP 914 is currently an application, following its grant the Company and Hedges Gas Pty Ltd will need to consult in respect of any activities that might adversely affect the carrying out of operations by the other party in accordance with the provisions of the MRA and PG Act.

(f) ML 90043

ML 90043 is overlapped by application for ATP 915 held by Hedges Gas Pty Ltd. Under the provisions of the MRA and the PG Act, if an ATP overlaps with an ML the ATP holder must seek the written agreement of the ML holder to the carrying out of authorised activities on the overlapping land. The ATP holder must lodge the ML holder's written agreement with DME and may only carry out the authorised activities while the agreement is still in force (see section 3A(7) of the MRA and section 6(4) of the PG Act).

(g) ML 2736

ML 2454 (also held by the Company) is surrounded by, but is not a part of ML 2736. This situation should not result in any problems for the operation of the mining lease while both mining leases are held by the Company.

(h) ML 2732

ML 2466 (held by Mount Cobalt Mining Pty Limited) is surrounded by, but is not a part of, ML 2732.

4.7 Property Tenure for the Company's Tenements

Starcross pastoral lease (Lot 5364 on Crown Plan PH1891), which is held by the Company, is the sole underlying tenure for the majority of the Company's mining leases. The neighbouring Chatsworth Station (Lot 13 on SP150177) is also an underlying tenure for ML 2732, ML 2733, ML 2745 and ML 2746 and is the sole underlying tenure for ML 90043.

Starcross and Chatsworth are also the underlying tenures for a number of the Company's exploration permits but many of the exploration permits lie over additional properties that are leased by third parties.

4.8 Joint Ventures Relating to the Company's Tenements

Joint venture agreements relating to two joint ventures have been entered onto the register in respect of certain EPMs, as follows:

- (a) Kuridala joint venture – agreements registered against EPM 7221, EPM 8116, EPM 9116 and EPM 10577; and
- (b) Southern Magnetic Targets joint venture (formerly Placer joint venture) – agreement registered against EPM 10783.

Kuridala joint venture

The Kuridala joint venture terminated in 2000 following the acquisition of the entire interest in the relevant exploration permits by Selwyn Queensland Pty Ltd. The Company is now the 100% registered holder of each of the exploration permits that were the subject of the former Kuridala joint venture.

Southern Magnetic Targets Joint Venture

The Company was a party to a joint venture with Barrick (Osborne) Pty Limited (**Barrick**) (then known as Placer Pacific (Osborne) Pty Limited) (**Southern Magnetic Targets Joint Venture (SMTJV)**) in relation to gold and sulphide copper/gold mineralisation in a joint venture area made up of 36 sub-blocks within the Company's EPM10783 (which consists of 238 sub-blocks in total) as follows:

CLON 1541	G H J K N O P T U Y Z
CLON 1542	F G L M Q V
CLON 1613	D E J K N O P S U Z
CLON 1614	A B F G L Q V W
CLON 1686	B
Total area	114.5km ²

The parties agreed to terminate the SMTJV and the terms and conditions of the parties' agreement is recorded in two agreements:

- (a) the EPM 10783 Agreement dated 17 January 2008; and
- (b) the Royalty Agreement dated 17 January 2008.

Under the EPM 10783 Agreement the Company agreed to apply for, and then transfer to Barrick, a mining lease application in relation to 5 sub-blocks that were a part of the SMTJV (and an area linking those sub-blocks) known as the Mill Feed Target Area being:

CLON 1541	Y Z
CLON 1542	L M Q
Total area	16km ²

Barrick became the registered holder of the mining lease application (MLA 90187) on 31 March 2008. Ivanhoe Australia has continuing obligations to assist Barrick in relation to the mining lease application and to maintain the standing of EPM 10783.

Barrick was entitled to lodge a consent caveat over EPM 10783 and MLA 90187 under the EPM 10783 Agreement (see section 9.1). However, upon becoming the holder of MLA 90187 Barrick must withdraw any such caveat (see section 10.1). A consent caveat in favour of Barrick has been lodged over EPM 10783 preventing its transfer. Searches

obtained from DME on 13 May 2008 showed that the consent caveat had not been withdrawn at 13 May 2008, despite Barrick having become the registered holder of MLA 90187.

Under the Royalty Agreement, following the processing of 10 million tonnes of ore from the Mill Feed Target Area, Ivanhoe Australia is entitled to a royalty of 5% on the Net Smelter Return received by Barrick from all mineral products produced from a mining lease granted over all or part of the Mill Feed Target Area. Under the Royalty Agreement Barrick acknowledges Ivanhoe Australia's ability to note on the register (kept by DME under section 158 of the MRA) the existence of the Royalty Agreement in relation to EPM10783. However, as at 13 May 2008, the Royalty Agreement is not noted on the register of dealings in relation to the EPM10783. Further, under the Royalty Agreement Barrick acknowledges Ivanhoe Australia's right to caveat any mining tenement in which it can claim a caveatable interest and Barrick agrees to consent to such caveats. Caveats lodged with the consent of the tenement holder do not expire after 3 months (as caveats lodged without the consent of the holder expire automatically after 3 months). Ivanhoe Australia will need to consider lodging a caveat over MLA 90187 once the ML is granted.

Royalty Payment

In addition, the Company is obliged to pay royalties to BHP Billiton Nickel West Pty Ltd (formerly Western Mining Corporation Limited) in respect of ore produced from a particular part of EPM 10783. We understand that no ore is currently being produced from the relevant area and consequently no royalty is currently payable.

4.9 Native Title

Each of the Company's mining leases and exploration permits is valid with respect to native title. The Company has entered into agreements regarding native title and cultural heritage with the three native title groups who have registered claims over the land where the Company's Tenements are situated.

EPMs that were applied for between 18 September 2000 and 31 March 2003 were granted under the Alternative State Provisions (**ASPs**) contained in Parts 13 to 19 of the MRA and were not subject to a full RTN procedure. Consequently, the RTN process is triggered upon renewal of all EPMs applied for during this period and subsequently granted. EPM 13505 was applied for during this period and the Company has applied for its renewal. Consequently, the renewal application for EPM 13505 is subject to the RTN process and the Company is currently negotiating with the relevant native title parties, the Yulluna people.

4.10 Aboriginal Cultural Heritage

The ACHA creates a statutory duty of care not to cause harm to *Aboriginal Cultural Heritage*. This is defined to include places of spiritual as well as physical significance to Aboriginal people. Significance of Aboriginal cultural heritage is determined by Aboriginal people under the ACHA.

The Company has negotiated native title agreements which deal not only with native title, but also with the impact of the Company's Tenements, and the effect of authorised activities allowed under the Company's Tenements, on Aboriginal cultural heritage to ensure the management of risks associated with meeting the duty of care referred to above.

4.11 Native Title Compensation

Native title holders are entitled to compensation for the impairment or extinguishment of any of their native title rights or interests by the grant of any non-native title rights or interests. However, a determination of native title compensation can only be made after a Court has determined that native title exists in relation to the relevant land. Any compensation is payable by the State. It is not currently possible to assess the likelihood of a determination that compensation is payable to native title holders in relation to the Company's Tenements.

4.12 Water

The Company has applied to DNRW for transfer of a number of water entitlements that were issued to former mining operators in relation to the Company's Tenements. These transfers have not yet been approved and the Company is in discussions with DNRW in relation to these entitlements and entitlements held by third parties that former mining operations previously accessed under arrangements with the third parties. Water resources must be secured prior to recommencing mining and the establishment of a processing plant. The Company does not presently have sufficient water entitlements to recommence mining and production.

5. EXCO JOINT VENTURE

The Company entered into a joint venture exploration agreement (**Exco Joint Venture Agreement**) with Exco Resources Limited (formerly Exco Resources NL) ABN 99 080 339 671 (**Exco**) on 9 May 2007 regarding a number of exploration permits held by Exco and its wholly owned subsidiary Exco Resources (Old) Pty Ltd. On 17 May 2007, Exco and the Company entered into a deed of variation (**Exco Variation**) which clarified the tenements subject to the Exco Joint Venture Agreement so that the Exco Joint Venture Agreement then related to the entire area of ML90008, 11 EPMs and one EPMA and 41 sub-blocks (out of 53 in total) of EPM 13741 (now 35 sub-blocks following relinquishment) (**Exco Tenements**). On 26 February 2008, Exco and the Company entered into a letter agreement under which the parties agreed to extend the term of Earning Period 1 from 19 May 2008 to 31 July 2008. Earning Period 2 may end on 19 May 2010, if it does not end sooner as a result of termination of the Exco Joint Venture Agreement, or completion of Earning Period 2 expenditure commitments earlier than that date.

Under the Exco Joint Venture Agreement, as varied, the Company may carry out exploration work in relation to the Exco Tenements during Earning Period 1 and, upon the expenditure of A\$600,000 on such exploration, the Company will earn an option to proceed to Earning Period 2. If the Company fails to spend A\$600,000 on exploration of the Exco Tenements by the end of Earning Period 1, the Exco Joint Venture Agreement will terminate and the Company will have no further right to explore, or interest in the Exco Tenements. Throughout Earning Period 2, the Company will have the right to conduct exploration on the Exco Tenements and will, upon expenditure of A\$5,000,000, earn the right to an 80% interest in the joint venture (including the Exco Tenements), and any subsequent production. If the Company fails to spend A\$5,000,000 (including any amounts spent during Earning Period 1) on exploration prior to 19 May 2010, the Exco Joint Venture Agreement will terminate and the Company will have no further right to explore, or interest in the Exco Tenements.

The rights granted to the Company by Exco are subject to Exco's existing joint venture farm-in arrangements with Tennant Limited (see paragraph 5.2 below) and BHP Billiton Minerals Pty Ltd (discussed below).

The other 10 sub-blocks of EPM 13741 were subject to a joint venture agreement between Exco and BHP Billiton Minerals Pty Ltd (**BHP**) until 18 July 2007. Under the Exco Joint Venture Agreement, the Company has been granted a first right of refusal to negotiate a farmin if any sub-blocks are relinquished by BHP from the Exco and BHP joint venture. Consequently, the Company may negotiate with Exco in relation to the inclusion of these sub-blocks in the joint venture with Exco.

5.1 Relinquishment

With the exception of the tenements discussed below, relinquishment for each of the Exco Tenements is up to date.

The current number of sub-blocks held for EPM 13770, EPM 14223 and EPM 14520 is greater than the prescribed number of sub-blocks. As the last date for relinquishment for each of these tenements was during May 2008, it is possible that DME has not yet processed Exco's relinquishment application or any application Exco may have made to retain sub-blocks in respect of these EPMs. We have not been able to confirm this independently with DME.

5.2 Competing Interests relating to the Exco Tenements

Exco has previously granted rights to explore for and mine copper oxide ores in relation to four of the Exco Tenements (EPM 11676, EPM 12023, EPM 12285 and EPM 12290) to Tennant Limited (**Tennant**). The rights granted to Tennant will take precedence over the rights granted to the Company under the Exco Joint Venture Agreement.

5.3 Renewal of the Exco Tenements

A renewal application for EPM 13709 (which expired on 30 September 2007) was lodged on 17 July 2007, after the expiry of the standard renewal period. A renewal application for an exploration permit must be made between 3 and 6 months before the expiry of the term unless the Minister allows otherwise. As the application to renew EPM 13709 was made out of time, the Minister will have a discretion whether to allow this application. Renewals of EPM 13709 is subject to compliance with the provisions of the MRA and may be granted at the discretion of the Minister (see section 147 and 147A of the MRA). The exploration permits will continue in force subject to the rights, entitlements and obligations in effect immediately before the end of the expiry day until the application is withdrawn, refused or granted, provided that the renewal application was properly made and Exco continues to pay rent and comply with the MRA and the conditions of the exploration permit (see section 147C of the MRA). In order for the renewal application for EPM 13709 to be properly made Ministerial approval of it being made late may be required.

A renewal application for ML 90008 (which expired on 31 August 2007) was lodged on 16 July 2007, after the expiry of the standard renewal period. A renewal application for a mining lease must be made between 6 and 12 months before the expiry of the term unless the Minister allows otherwise. As the application to renew ML 90008 was made out of time, the Minister will have a discretion whether to allow this application. ML 90008 will continue in force subject to the rights, entitlements and obligations in effect immediately before the end of the expiry day until the application is withdrawn, refused or granted, provided that the renewal application was properly made and Exco continues to pay rent and complies with the MRA and conditions of the mining lease (see section 286C of the MRA). In order for the renewal application for ML 90008 to be properly made Ministerial approval of it being made late may be required.

We cannot predict with certainty when, or if, Exco's applications for renewal of existing tenements will be granted. However, we are not aware of any matters which we would expect would prevent the grant of such applications.

5.4 Standing of the Exco Tenements

The Exco Tenements are in good standing subject to our comments in relation to renewals and relinquishment at paragraph 5.1 and 5.3 above.

At 13 May 2008 annual rent for each of the Exco EPMs has been paid and security deposits totalling \$30,010.64 are held by DME in respect of the Exco Tenements.

5.5 Overlapping Exco Tenements

(a) **EMP 13709, EPM 13741, EPM 13770, EPM 14233 and EPMA 16177**

EPM 13709, EPM 13741, EPM 13770, EPM 14233 and EPMA 16177 are all entirely within the area of the application for ATP 915 held by Hedges Gas Pty Ltd. EPM 13709 and EPM 13741 are also overlapped by a pipeline licence (PPL 42 held by APT Pipelines (Qld) Pty Limited).

The implications of overlapping EPMs and ATPs/PPLs is discussed at section 4.6(e) of this letter and is provided for more generally in the MRA and PG Act.

(b) **EPM 14033**

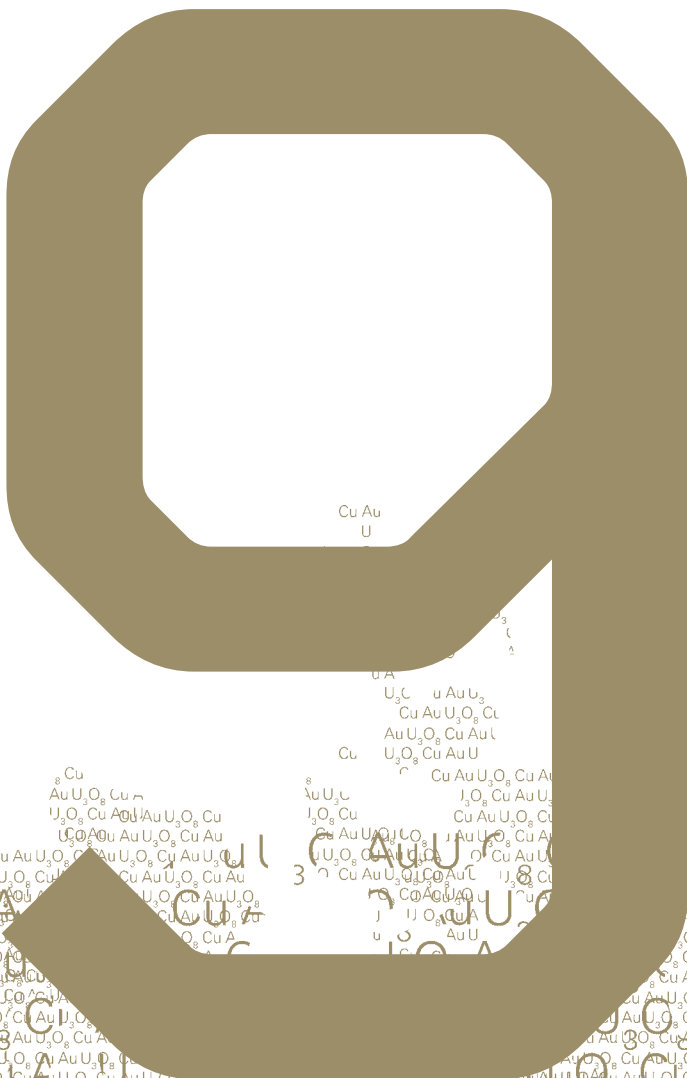
ML 90008 (also held by Exco Resources (Qld) Pty Ltd) is within the boundaries of EPM 14033. While ML 90008 is in force, the area of ML 90008 will be excluded from EPM 14033 (see section 132 of the MRA).

Yours faithfully
MINTER ELLISON

Annexure 1 – Glossary of terms

Term	Meaning
ACHA	<i>Aboriginal Cultural Heritage Act 2004 (Qld)</i>
ATP	An authority to prospect
BHP	BHP Billiton Minerals Pty Ltd
Cloncurry District	The district surrounding the town of Cloncurry, located in northwest Queensland
Company	Ivanhoe Cloncurry Mines Pty Ltd ACN 106 255 216
Company's Tenements	The tenements listed in paragraph 4.1
DME	Department of Mines and Energy, Queensland
DNRW	Department of Natural Resources and Water, Queensland
EPM	An exploration permit for minerals
Exco	Exco Resources Limited (and Exco Resources (Qld) Pty Ltd)
Exco Tenements	The tenements listed in paragraph 5
Ha	Hectares
ML	A mining lease
MLA	A mining lease application
MRA	<i>Mineral Resources Act 1989 (Qld)</i>
NTA	<i>Native Title Act 1993 (Cth)</i>
PG Act	<i>Petroleum and Gas (Production and Safety) Act 2004 (Qld)</i>
PPL	A pipeline licence
Report	This letter dated 26 May 2008, as updated or supplemented
RTN	The <i>right to negotiate</i> procedure under Subdivision P of Division 3 of Part 2 of the NTA
Tenant	Tenant Limited

Additional Information



9.1. Incorporation

Ivanhoe Australia was incorporated in Australia and registered in Victoria on 20 January 2004. On 10 May 2007, Ivanhoe Australia converted its status from a proprietary to a public company.

9.2. Balance Date

The financial reports of Ivanhoe Australia are prepared for the period ending 31 December each year. Ivanhoe Australia is the head entity in the tax consolidated group comprising it and its wholly owned subsidiary.

9.3. Constitution

Ivanhoe Australia's Constitution contains provisions of a type that are standard for ASX listed companies – these include provisions dealing with voting rights, general meetings and notices, dividends, the appointment and removal of Directors, Directors' meetings, transfer of shares and winding up. A copy of the Constitution is available for inspection at the place and times set out in Section 9.16 of this Prospectus.

Rights attaching to Shares

The rights attaching to Shares in Ivanhoe Australia are:

- set out in the Constitution; and
- in certain circumstances, regulated by the Corporations Act, the Listing Rules, the ASTC Settlement Rules and the general law.

The following is a summary of the significant rights attaching to the Shares. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders.

Voting rights

At a general meeting, every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands, and on a poll, one vote for every fully paid Share held. On a poll, partly paid Shares confer a fraction of a vote proportional to the amount paid up on the Share.

A poll may be demanded by at least 5 Shareholders entitled to vote on the resolution, by Shareholders with at least 5% of the votes that may be cast on the resolution, or by the chairperson.

General meetings and notices

Each Shareholder is entitled to receive notice of, and except in certain circumstances, to attend and vote at general meetings of Ivanhoe Australia and receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution or the Corporations Act.

Dividends

Shares carry the right to receive dividends. The Directors may from time to time pay dividends to Shareholders out of the profits of Ivanhoe Australia. The Directors may pay any interim and final dividends as, in their judgment, the financial position of Ivanhoe Australia justifies. The Directors may fix the amount and time for and method of payment of the dividends. The payment of a dividend does not require any confirmation by Shareholders of Ivanhoe Australia in a general meeting.

As Ivanhoe Australia is a mineral exploration and development company and is not currently making profits, the Directors do not anticipate that Ivanhoe Australia will pay any dividends in the immediate future.

Transfer of Shares

Shareholders may transfer Shares electronically by a transfer effected in accordance with the ATSC Settlement Rules, the Corporations Act and the Listing Rules or by a written transfer instrument in any usual or common form or any other form that the Directors approve. Ivanhoe Australia will not issue Share certificates to Shareholders.

Where the Shares are quoted on ASX, the Directors may in their absolute discretion refuse to register any transfer in any of the circumstances permitted by the Listing Rules. Ivanhoe Australia must not refuse or fail to register or give effect to, or delay or in any way interfere with, a proper ASTC transfer of Shares quoted by ASX.

Issue of further Shares

The Directors may (subject to the restrictions on the issue of Shares imposed by the Constitution, the Listing Rules and the Corporations Act) issue, grant options over, or otherwise dispose of, Shares on such terms as the Directors determine.

Winding up

Shares attract the right in a winding up to participate equally in the distribution of the assets of Ivanhoe Australia (subject to any amounts unpaid on a Share).

On a winding up of Ivanhoe Australia, the liquidator may, with the approval of a special resolution of Ivanhoe Australia, divide among the Shareholders in kind, all or any of Ivanhoe Australia's assets and determine how such division is to be carried out between different classes of Shareholders.

Directors – Appointment and Removal

The minimum number of Directors is 3 and the maximum is 12 unless the Shareholders pass a resolution varying that number. Directors are elected at annual general meetings of Ivanhoe Australia. Retirement will occur on a rotational basis so that generally one-third of the Directors plus any Director who has held office for 3 or more annual general meetings retire at each general meeting of Ivanhoe Australia. A Director retiring by rotation is eligible for re-election, subject to certain restrictions.

The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of Ivanhoe Australia.

Directors Voting

Questions arising at a meeting of Directors will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes, the chairperson does not have a second or casting vote.

Member Liability

As the Shares offered under this Prospectus are fully paid, they are not subject to any calls for money by Directors and will therefore not become liable to forfeiture.

Variation of Rights

Under the Constitution, the rights attached to any class of shares in Ivanhoe Australia (including the Shares) may be varied in accordance with the Corporations Act by special resolution of Ivanhoe Australia and special resolution of a meeting of members holding shares in that class.

Dividend and share plans

The Directors may implement a dividend reinvestment plan, a dividend selection plan, an employee share plan and an employee option plan not being inconsistent with the provisions of the Constitution. Ivanhoe Australia has not presently adopted a dividend reinvestment plan or dividend selection plan. However it has adopted the Ivanhoe Australia Share Plan which is more fully described in Section 9.9 of this Prospectus.

Alteration of Constitution

The Constitution can only be amended by a special resolution passed by at least 3 quarters of the votes cast by members entitled to vote on the resolution.

9.4. Summary of Material Contracts

The Directors consider that the contracts described below and elsewhere in this Prospectus are those which an investor would reasonably regard as material and which they and their professional advisers would reasonably require information on to make an informed assessment of the Offer.

Offer Management Agreement

The Lead Manager, Ivanhoe Australia and Ivanhoe Mines have entered into an Offer Management Agreement dated on or about the date of this Prospectus under which the Lead Manager is appointed as Lead Manager to the Offer.

The Offer Management Agreement contains various representations and warranties, and imposes various obligations on Ivanhoe Australia, including representations, warranties and undertakings to ensure that this Prospectus complies with the Corporations Act, the Listing Rules and all other applicable laws, and to conduct the Offer in accordance with the agreed timetable, the Corporations Act, the Listing Rules and any other applicable laws, along with representations and warranties as to Ivanhoe Australia's assets, business and general compliance with laws.

Ivanhoe Australia has agreed to pay the Lead Manager a management fee of 4.5% of the total Offer Proceeds and a discretionary incentive fee of 0.5% of the total Offer Proceeds, exclusive of GST, in consideration of the Lead Manager performing its obligations under the Offer Management Agreement (which obligations include settlement support). Ivanhoe Australia has also agreed to pay the Lead Manager certain costs of and incidental to the Offer (including reasonable legal costs and out-of-pocket expenses and certain settlement costs) incurred by the Lead Manager. Ivanhoe Mines has agreed to guarantee the payment of these incidental costs and to indemnify the Lead Manager for any losses incurred by it if Ivanhoe Australia fails to pay these incidental costs.

Ivanhoe Australia has agreed to indemnify the Lead Manager and its related corporations, directors, officers, employees and advisers against all losses suffered in connection with, or arising out of, the appointment of the Lead Manager pursuant to the Offer Management Agreement (including in connection with the Offer excluding the offer of Shares in the United States), other than where the losses are judicially determined to have primarily resulted from the fraud, wilful misconduct or gross negligence of, or breach of the Offer Management Agreement by, the indemnified person. The Offer Management Agreement also includes specific indemnities in relation to offers of Shares in the United States.

The Offer Management Agreement generally restricts Ivanhoe Australia from issuing, without the Lead Manager's consent, equity securities for 180 days after Allotment (with the exception of issues under the Share Plan).

The Lead Manager may terminate its obligations under the Offer Management Agreement on the occurrence of one or more of a number of termination events:

- (Disclosure) the due diligence committee of the Company reasonably forms the opinion that a statement contained in a document used for the Offer (including this Prospectus) is or becomes misleading or deceptive or a matter is omitted from such a document that is required to be included in that document; a statement in such a document which relates to future matters is or becomes incapable of being met or, in the reasonable opinion of the Lead Manager, unlikely to be met in the forecast time; or the due diligence committee report is untrue, incorrect, misleading or deceptive in a material respect;
- (Supplementary Prospectus) the Company issues or becomes required to issue a Supplementary Prospectus because of a circumstance set out in section 719 of the Corporations Act;
- (Notifications) ASIC gives notice of an intention to hold a hearing or issues an order or interim order under the Corporations Act, an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Prospectus or ASIC commences any investigation or hearing under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth) in relation to the Prospectus, or a person gives a notice under section 730(1) of the Corporations Act or a person withdraws their consent to be named in the Prospectus;
- (Quotation) approval is refused or not granted, other than subject to customary listing conditions imposed by ASX, to the official quotation of all of the offered Shares on ASX on or before the settlement date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions imposed by ASX, including trading on a conditional or deferred basis) or withheld;
- (Withdrawal) after lodgement of the Prospectus, the Company withdraws the Prospectus or the Offer;
- (Timetable) the timetable for the Offer is delayed for any length of time except in certain limited circumstances;
- (Prosecution) a director or senior manager of the Company is charged with an indictable offence, public action is taken by a governmental agency against the Company or any of its directors or senior managers in their capacity as such, any director or senior manager of the Company is disqualified from managing a corporation under law or the Company or a director or senior manager of the Company engages in any fraudulent conduct or activity;

- (Charge) other than as disclosed in a document used for the Offer (including this Prospectus) or by the Company to the Lead Manager in writing prior to the date of the Offer Management Agreement, a member of the Group charges or agrees to charge, the whole, or a substantial part of the business or property of the Group;
 - (Winding up and insolvency) an insolvency or winding up event occurs in respect of any Group member;
 - (Hostilities) hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of the United States, Australia, New Zealand, the United Kingdom, the European Union, North Korea, South Korea, China, Japan or India, or the declaration by any of these countries of a national emergency or war or a major terrorist act is perpetrated involving any of those countries or any diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world;
 - (Market fall) the S&P/ASX 300 Index of ASX closes on any three consecutive Business Days before the settlement date at a level that is 10% or more below its level at market close on the date of the Offer Management Agreement (Starting Level), closes on a day which is less than three Business Days before the settlement date at a level which is 10% or more below the Starting Level and closes at such a level until the end of the day before the settlement date or closes at a level that is 15% or more below the Starting Level.
 - (Materials index fall) the S&P/ASX 300 Materials Index of ASX closes on any three consecutive Business Days before the settlement date at a level that is 10% or more below its level at market close on the date of the Offer Management Agreement (Materials Starting Level), closes on a day which is less than three Business Days before the settlement date at a level which is 10% or more below the Materials Starting Level and closes at such a level until the end of the day before the settlement date or closes at a level that is 15% or more below the Materials Starting Level.
- In addition the Lead Manager may terminate its obligations under the Offer Management Agreement on the occurrence of one or more of the following termination events but only if in the reasonable opinion of the Lead Manager, such event has, or is likely to have, a material adverse effect on the marketing, success or settlement of the Offer, the price at which the Shares may trade on ASX after their quotation or on the willingness of investors to pay the Offer Price for the Shares being offered, or renders it impracticable to effect acceptances of the Offer, or the event is likely to give rise to a liability for the Lead Manager under applicable law:
- (Disclosures) information supplied by or on behalf of the Company to the Lead Manager in relation to any Group member or the Offer is untrue, incorrect, misleading or deceptive;
 - (Change in management) a change to the board of directors or senior management of the Company occurs;
 - (Compliance with regulatory requirements) a contravention by the Company of its constitution, the Corporations Act, any of the Listing Rules or any equivalent laws and rules in any jurisdiction in which it operates;
 - (Default) a default by the Company or Ivanhoe Mines in the performance of any of its obligations under the Offer Management Agreement occurs;
 - (Warranties) a warranty or representation contained in the Offer Management Agreement on the part of the Company or Ivanhoe Mines is not true or correct;
 - (Certificate) a statement in certain certificates to be given to the Lead Manager by the Company under the Offer Management Agreement is untrue or incorrect;
 - (Adverse change) any adverse change occurs in the assets, liabilities, financial position, performance, prospects or standing of the Group including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Group from those respectively disclosed in a document used for the Offer;
 - (Change of law) there is introduced, or there is a public announcement of a proposal to introduce into any legislature of Australia, Canada or the United States, a law or a new government policy is adopted by a government in any of those jurisdictions or there is a public announcement of a proposal to adopt a new government policy by such a government, any of which in the opinion of the Lead Manager does or is likely to prohibit or otherwise adversely affect the Offer, capital issues, stock markets or investments by the Company as contemplated in the documents used for the Offer;
 - (Copper price fall) the official bid price for a cash buyer of copper as quoted on the London Metals Exchange closes at a level that is 15% or more below its level at market close on the date of the Offer Management Agreement.
 - (Other events) there is:
 - a suspension or limitation in trading in all securities quoted or listed on ASX, the New York Stock Exchange, the NASDAQ, the London Stock Exchange, the Toronto Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Hong Kong Stock Exchange;
 - a general moratorium on commercial banking activities in Australia, the United States, the United Kingdom, the European Union, Canada, Japan, China or Hong Kong, is declared by the relevant authorities, or there is a disruption in commercial banking or securities settlement or clearance services in the those places;
 - any adverse change or disruption to the existing financial markets, political or economic conditions of, or currency exchange rates or controls in Australia, the United States, the United Kingdom, the European Union, Canada, Japan, China or Hong Kong or the international financial markets or any adverse change in national or international political, financial or economic conditions; or
 - a change or development involving a prospective adverse change in taxation affecting the Company's Group, the Shares or the transfer thereof.

9.5. Capital Structure

Ivanhoe Australia only has one class of shares on issue - fully paid ordinary Shares. As at the date of this Prospectus, Ivanhoe Australia has 250 million Shares on issue, all held by IAL Holdings Singapore Pte. Ltd., a wholly owned indirect subsidiary of Ivanhoe Mines.

Following the issue of Shares under this Prospectus, Ivanhoe Australia will have 312.5 million Shares on issue, 250 million (or 80%) of which will be held by IAL Holdings Singapore Pte. Ltd.

9.6. Inter-company Loan

As stated in Section 2.3, \$30.0 million of the Inter-company Loan will be repaid out of the Offer Proceeds. The amount of the unpaid balance of the Inter-company Loan will remain on Ivanhoe Australia's balance sheet (approximately \$52.6 million) (Remaining Inter-company Loan). The Remaining Inter-company Loan will:

1. Be denominated and repayable in AUD dollars;
2. Be interest free for 18 months from 17 June 2008 and thereafter interest will be payable at the rate of BBR (Bank Bill Rate) plus 2.50% per annum;
3. Be unsecured; and
4. Have a maturity of 5 years from 17 June 2008.

These terms will apply to the Remaining Inter-company Loan pursuant to an inter-company loan agreement between Ivanhoe Australia and Ivanhoe Mines. That agreement provides for an unsecured 5 year fixed-term non-revolving line of credit from Ivanhoe Mines in the principal amount of up to AUD\$91 million. The ability of Ivanhoe Australia to request advances under the line of credit will end 7 days after Allotment. As at 17 June 2008 a total of approximately \$88.4 million was outstanding under the loan agreement but an amount of \$38.4 million will be repaid out of the Offer Proceeds. This repayment amount will comprise the \$30 million part repayment of the Inter-company Loan and \$8.4 million in repayment of the monies lent to Ivanhoe Australia for its acquisitions of shares in Exco Resources. The Remaining Inter-company Loan will remain owed under the terms this loan agreement. The agreement allows Ivanhoe Mines to require immediate repayment, and provides for default interest, in the event of certain events of default, including failure to make payments when due and specified insolvency events.

9.7. Escrow Arrangements

IAL Holdings Singapore Pte. Ltd., who will continue to hold Shares in Ivanhoe Australia after the date Ivanhoe Australia's Shares are granted official quotation on ASX, will enter into escrow arrangements with Ivanhoe Australia in respect of all or a large proportion of the Shares that will be held by it immediately following quotation. Ivanhoe Mines, IAL Holdings Singapore Pte. Ltd.'s ultimate parent, is or will also be a party to the escrow arrangements (see Section 2.5 for details of the mandatory escrow).

9.8. Relationship with Ivanhoe Mines

As a separately listed entity following the IPO, Ivanhoe Australia will continue to leverage the support, knowledge and extensive relationship network of its parent, Ivanhoe Mines. However, Ivanhoe Mines and entities or persons related or connected to Ivanhoe Mines may separately undertake business activities, or take advantage of business, investment or strategic opportunities in Australia. Ivanhoe Mines is under no obligation to introduce transactions or business, investment or strategic opportunities to Ivanhoe Australia.

9.9 Employee Share Plan

Ivanhoe Australia has adopted a Share Plan, participation in which is open to Eligible Employees, namely selected full-time, part-time or casual employees (including Directors) of, or contractors to, Ivanhoe Australia or its subsidiaries, or Non-Executive Directors.

The purpose of the Share Plan is to give selected Eligible Employees an opportunity to acquire an ownership interest in Ivanhoe Australia, to attract, motivate and retain Eligible Employees, to provide an incentive to Eligible Employees to drive continuing improvement in Ivanhoe Australia's performance, and to provide market competitive reward mechanisms in line with the guidelines and expectations of Australian shareholders. The Share Plan may also be used to provide Shares to Non-Executive Directors in lieu of cash remuneration.

The Share Plan provides for the offer to, and acquisition by, selected Eligible Employees of:

- rights to acquire Shares where generally no cash consideration is required to be paid for the acquisition of the underlying Shares ("Performance Rights");
- rights to acquire Shares for which cash consideration must be paid upon exercise of the right to acquire the Shares, where the amount payable is typically the market value of the Shares as at the date of grant of the right ("Performance Options"); and
- "unallocated" Shares, typically being Shares that are to be held in the Share Plan subject to a holding lock and restrictions on voting and which are liable to be forfeited prior to allocation if any performance conditions attaching to them are not satisfied and in certain other circumstances.

Limit on size of the Share Plan

No offer of Shares, Performance Rights or Performance Options will be made if it would result in the number of Shares at a particular time held under the Share Plan and all other employee share schemes established by Ivanhoe Australia (excluding Shares under any salary sacrifice arrangement) exceeding 10% of the total number of issued Shares.

Terms of offers

Under the Share Plan, the Nomination, Governance and Remuneration Committee has a broad discretion in relation to setting the terms of an offer of Performance Rights, Performance Options or Shares, including:

- the amount (if any) payable for the Performance Rights, Performance Options or unallocated Shares;
- the amount (if any) payable on the exercise of Performance Rights;
- any performance hurdles that must be satisfied, and the period in which they must be satisfied, before Shares can be acquired pursuant to a Performance Right or Performance Option or before unallocated Shares become allocated Shares;
- in the case of an offer of unallocated Shares, how any dividends are to be dealt with; and
- any other terms or conditions the Nomination, Governance and Remuneration Committee considers fair and reasonable and determines will apply.

Shares, Performance Rights and Performance Options may be acquired for nil cash consideration, with the Shares, Performance Rights or Performance Options instead being granted in consideration for the Participating Employees' past or expected future services to Ivanhoe Australia.

Performance Rights or Performance Options will generally lapse if the performance hurdles applying to them are not satisfied within the specified performance period or if they are not exercised within 2 years after the end of the applicable performance period.

Among other things, the Share Plan rules set out the rights of Participating Employees:

- where there is a change in control of Ivanhoe Australia or its ultimate holding company or a reorganisation of Ivanhoe Australia's capital; and
- where a Participating Employees ceases employment with Ivanhoe Australia.

Acquisition of Shares

Shares may be provided to Participating Employees by the acquisition of Shares in the name of the Participating Employee in the ordinary course of trading on the financial market operated by ASX or by transfer or by way of a new issue of Shares.

Control and release of Shares

Shares acquired under the Share Plan (whether on exercise of a Performance Right or Performance Option or otherwise) will be held within the Share Plan and will typically be subject to a trading lock until the Shares are released from the Share Plan. Whilst the Shares are held within the Share Plan, a Participating Employee must not dispose of those Shares or create a security interest over those Shares.

Shares will be released from the Share Plan if:

- the plan administrator has received a request form from the relevant Participating Employee for their Shares to be released from the Share Plan (a Participating Employee can submit such a request after ceasing to be an employee of the Ivanhoe Australia group, after a change in control of Ivanhoe Australia, after having received written consent from the Board for the sale or transfer of the relevant Shares or after the tenth anniversary of 1 July in the year the relevant offer was made); and
- the plan administrator approves the release (which may only be given if the plan administrator determines that such approval is appropriate).

The Share Plan rules also provide for the forfeiture of a Participating Employee's Shares held in the Share Plan if, among other things, the Participating employee is dismissed for cause or acts fraudulently, dishonestly or in serious breach of duty to Ivanhoe Australia.

Customary terms

The rules of the Share Plan also contain customary and usual terms for dealing with the administration of the Share Plan, variation of the rules of the Share Plan and termination and suspension of the Share Plan. The Share Plan is subject to the overriding application of the Corporations Act and the ASX Listing Rules.

Inaugural Performance Rights

As at the date of this Prospectus, offers of Performance Rights have been or are to be made to the following Directors, executives and employees of Ivanhoe Australia.

Name of Executive/Director	Number of Performance Rights
Peter Reeve	4,250,000
Robert Friedland	4,000,000
William Hayden	300,000
Douglas Kirwin	1,500,000
Peter Meredith	500,000
John Macken	500,000
David Korbin	100,000
Kyle Wightman	100,000
Ian Plimer	100,000
David Woodall	150,000
Other Management/Staff	4,935,000
Total	16,435,000

These Performance Rights are expected to be issued before the close of the Offer. Each Performance Right will entitle the holder to acquire one Share by way of issue.

The above Directors and executives have not been, and will not be, required to pay any cash consideration for the acquisition of the Performance Rights or (subject to obtaining a necessary ASX Listing

Rule waiver) the Shares that are the subject of those rights. Ivanhoe Australia will be applying to ASX for a Listing Rule waiver to allow the Performance Rights to have a nil cash exercise price as the Listing Rules generally require that at Listing all options on issue have a 20 cent minimum exercise price. If the waiver is not obtained, it is likely the Performance Rights will have a 20 cent exercise price.

The Directors and executives are entitled to exercise their Performance Rights and be issued with the Shares the subject of those rights in 4 equal tranches after vesting (subject to being in employment) on 1 September of each year from 2008 to 2011, however the first tranche cannot be exercised before 1 September 2009. Generally all unvested Performance Rights lapse if the employee leaves the employment of Ivanhoe Australia. All unvested Performance Rights will immediately vest in the event of a change in control of Ivanhoe Australia or its ultimate holding company and may, at the Board's discretion, vest in special circumstances such as death, permanent disability or redundancy. If considered appropriate, the Company may attach additional vesting conditions to the inaugural Performance Rights.

Ivanhoe Australia may also use the Share Plan to remunerate Directors and to offer Shares to management following the IPO.

The ASX may classify some Performance Rights as restricted securities and require them (or Shares issued on their exercise) to be escrowed for up to 2 years.

Ivanhoe Australia is also intending to establish a separate share acquisition plan in which all employees will be potentially eligible to participate. Under this proposed plan, the Company may, depending on its performance, provide small allocations of Shares to selected employees for no monetary consideration (subject to annual review and the ability of the Company to provide such Shares).

This Prospectus may be used to make some of the offers of inaugural Performance Rights as described above.

9.10. Interests of Directors and Promoters

9.10.1 Disclosure

Except as disclosed in this Section 9.10 and elsewhere in this Prospectus:

- no Director, proposed Director or promoter of Ivanhoe Australia, holds or has held in the 2 years before the date of this Prospectus, any interest in:
 - the formation or promotion of Ivanhoe Australia;
 - any property acquired or proposed to be acquired by Ivanhoe Australia in connection with its formation or promotion or the Offer; or
 - the Offer; and
- no amount has been paid or agreed to be paid, and no benefit has been given or agreed to be given to:
 - any Director or proposed Director to induce them to become, or to qualify as a Director of Ivanhoe Australia; or
 - any Director, proposed Director or promoter of Ivanhoe Australia for services that he or she has provided in connection with the formation or promotion of Ivanhoe Australia or the Offer.

9.10.2 Interests of Directors

As at the date of this Prospectus no Director holds Shares. However, Ivanhoe Mines, of which 26.9% is owned by Robert Friedland, holds, through IAL Holdings Singapore Pte. Ltd, all of the issued Shares as at the date of this Prospectus and, on completion of the Offer, will hold the majority of Shares.

Other Directors of Ivanhoe Australia may also own shares in Ivanhoe Mines from time to time.

Directors and their associates are entitled to apply for Shares under the Offer.

9.10.3 Non-Executive Directors' Fees

The Constitution provides that the Directors as a whole (other than Executive Directors) may be paid or provided fees or other remuneration for their services as a Director of Ivanhoe Australia (including as a member of any Directors' committee or as a director of a child entity of Ivanhoe Australia), the total amount or value of which must not exceed \$500,000 (excluding mandatory superannuation) per annum or such other maximum amount determined by Ivanhoe Australia in a general meeting. It is currently anticipated that only the 2 Independent Non-Executive Directors will be paid such remuneration.

A Non-Executive Director may be paid remuneration as the Directors determine where the Director performs services outside the scope of the ordinary duties of the Director. Non-Executive Directors may also be paid expenses properly incurred in attending meetings or otherwise in connection with Ivanhoe Australia's business.

The Company is planning to allow the Independent Non-Executive Directors to take a significant proportion of their remuneration in the form of Performance Rights, or Shares bought on-market under the Share Plan described in Section 9.9.

9.10.4 Directors' insurance and indemnity

Under the Constitution, Ivanhoe Australia, to the extent permitted by law, indemnifies every person who is or has been an officer of Ivanhoe Australia against any liability (other than for legal costs) incurred by that person as an officer of Ivanhoe Australia (or a subsidiary of Ivanhoe Australia) and against reasonable legal costs in defending an action for liability incurred as an officer of Ivanhoe Australia (or a subsidiary of Ivanhoe Australia).

Ivanhoe Australia may pay a premium for a contract insuring a Director against liability incurred by the person as a Director (except in limited circumstances prohibited by the Corporations Act). In accordance with a policy of insurance taken out by Ivanhoe Australia, directors' and officers' insurance cover is provided for all Directors and officers of Ivanhoe Australia. This insurance covers all liabilities of the Directors and officers to the extent permitted by the Corporations Act.

Ivanhoe Australia has entered into deeds of indemnity with each Director which confirm the Director's right of access to Board papers and require Ivanhoe Australia to indemnify the Director for liability incurred as an officer of Ivanhoe Australia, subject to the restrictions imposed by the Corporations Act.

9.11. Interests of Persons Named in this Prospectus

Except as set out in this Section 9.11 and elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus:

- holds or has held in the 2 years before the date of this Prospectus, any interest in:
 - the formation or promotion of Ivanhoe Australia;
 - any property acquired or proposed to be acquired by Ivanhoe Australia in connection with its formation or promotion or the Offer; or
 - the Offer; or
- has been paid or agreed to be paid any amount, and no value or any benefit has been given or agreed to be given, for services provided in connection with:
 - the formation or promotion of Ivanhoe Australia; or
 - the Offer.

Ivanhoe Australia has engaged the following professional advisers:

- UBS AG, Australia branch, has acted as the Lead Manager to the Offer, for which it will receive fees as set out in Section 9.4 of this Prospectus.
 - Minter Ellison has acted as legal adviser to Ivanhoe Australia in relation to the Offer, has advised Ivanhoe Australia generally in relation to its admission to the Official List, has prepared the Solicitor's Report on Mining Tenements and has also performed work in relation to due diligence enquiries on legal matters and corporate governance issues. Ivanhoe Australia has paid, or agreed to pay, approximately \$1,222,000 (plus disbursements and GST) for these services.
 - Goldner & Associates has acted as the Independent Geologist and has prepared the Independent Geologist's Summary and Full Reports. Ivanhoe Australia has paid, or agreed to pay, approximately \$249,084 (plus disbursements and GST) for these services.
 - Deloitte acts as auditor of Ivanhoe Australia. Ivanhoe Australia has paid, or agreed to pay, approximately \$106,300 (plus disbursements and GST) in respect of audit services for the years ended 31 December 2006 and 31 December 2007 and review services for the four month period ended 30 April 2008. Deloitte has also acted as Investigating Accountant, has prepared the Investigating Accountants' Report and has performed a range of other services in connection with the Offer, including work in relation to due diligence inquiries. Ivanhoe Australia has paid, or agreed to pay, approximately \$430,000 (plus disbursements and GST) for these services.
 - ABN AMRO Morgans Limited has agreed to act as a Co-Manager to the Offer. They will be paid a fee of 0.1% of the gross proceeds of the Offer plus a 1.25% commission on all Applications submitted in the Broker Firm Offer.
- Greenwich Transaction Services Proprietary Limited (trading as Greenwich Legal) has acted as Australian legal adviser to Ivanhoe Mines in relation to the Offer. Ivanhoe Australia has paid, or agreed to pay, approximately \$73,000 (plus disbursements and GST) for these and other services.

9.12. Consents

Each of the parties referred to as Consenting Parties in the table below:

- other than as specified in the table, has not made any statements in this Prospectus or any statement on which a statement made in this Prospectus is based;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name and (if applicable) any statement or report included with their consent in this Prospectus in the form and context in which it appears;
- has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its consent:
 - to be named in this Prospectus in the form and context in which it is named; and
 - to the inclusion in this Prospectus of the statements specified in the table below.

Consenting Party	Role	Statements in this Prospectus
Minter Ellison	Lawyers to Ivanhoe Australia	Solicitor's Report on Mining Tenements
Goldner & Associates	Independent Geologist	Independent Geologist's Summary and Full Reports
Deloitte Touche Tohmatsu	Auditor and Investigating Accountant	Investigating Accountants' Report
UBS AG	Lead Manager	None
Greenwich Transaction Services Proprietary Limited trading as Greenwich Legal	Australian lawyers to Ivanhoe Mines	None
ABN AMRO Morgans Limited	Co-Manager	None
Computershare Investor Services Pty Limited	Share Registry	None
Barrick (Osborne) Pty Limited	Consenting to statements	Statements described as being made by, or said to be based on statements by, or otherwise attributed to Barrick in Section 3.7 and elsewhere in this Prospectus, including the Independent Geologist's Full and Summary Reports and the Solicitor's Report on Mining Tenements.

Exco Resources Limited	Consenting to statements	Statements described as being made by or said to be based on statements by, or otherwise attributed to, Exco Resources in Section 3.7 and elsewhere in this Prospectus, including the Independent Geologist's Full and Summary Reports and the Solicitor's Report on Mining Tenements.
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9.13. Expenses of the Offer

The total estimated expenses connected with the Offer paid or payable by Ivanhoe Australia, including advisory, legal, accounting, tax, listing and administrative fees, as well as printing, advertising and other expenses, are currently estimated to be approximately \$10.3 million. Ivanhoe Australia has already paid \$1.3 million of these expenses and the remainder will be paid out of the Offer Proceeds.

9.14. Litigation and other proceedings

As far as the Directors are aware, and except as disclosed elsewhere in this Prospectus there is no current or threatened civil litigation, arbitration proceeding or administrative appeal or criminal or governmental prosecution of a material nature that is likely to have a material adverse impact on the business or financial position of Ivanhoe Australia.

9.15. Australian Taxation Considerations

The Australian taxation consequences of any investment in Shares will depend on an investor's particular circumstances. You should make your own inquiries concerning the taxation consequences of an investment in Ivanhoe Australia. If you are in doubt as to the course you should follow, you should consult your stockbroker, lawyer, accountant or professional adviser.

The Directors expect that Ivanhoe Australia will be taxed as an Australian public company.

9.16. Documents Available for Inspection

A copy of the following documents will be available for inspection free of charge between 9.00am and 5.00pm Sydney time, Monday to Friday, at Ivanhoe Australia's registered office during the Offer:

- Audited financial statements, containing balance sheets, income statements and statements of cash flows for the years ended 31 December 2007 and 31 December 2006;
- Reviewed financial statements, including balance sheet, income statement and statement of cash flows, for the four months ended 30 April 2008; and
- The Constitution.

9.17. Expiry Date

No Shares will be offered or issued on the basis of this Prospectus after the Expiry Date, being 3 August 2009, the date 13 months after the date of this Prospectus.

9.18. Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications are governed by the laws applicable in the State of New South Wales, Australia and each Applicant submits to the exclusive jurisdiction of the courts of the State of New South Wales, Australia.

9.19. Consents to lodgement of this Prospectus

Each Director or proposed Director of Ivanhoe Australia has consented, and not withdrawn their consent, to the lodgement of this Prospectus with ASIC as required by section 720 of the Corporations Act.

Glossary



In this Prospectus the following expressions have the meanings set out below:

\$, A\$, AUD or cents means Australian dollars or cents (as appropriate).

A-IFRS mean Australian equivalents to International Financial Reporting Standards.

Allotment means the issue and allotment of Shares under this Prospectus.

Applicant means a person who makes an Application for Shares under this Prospectus.

Application means an application to subscribe for Shares under this Prospectus.

Application Form means the form of Application for Shares attached to or accompanying this Prospectus.

Application Monies means the monies payable in connection with an Application.

ASIC means the Australian Securities & Investments Commission.

ASTC means the ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532), a subsidiary of ASX.

ASTC Settlement Rules means the ASTC Settlement Rules, being the operating rules of ASTC's settlement facility.

ASX means ASX Limited (ACN 008 624 691).

Au means Gold metal.

Barrick means Barrick (Osborne) Pty Limited (ACN 061 300 025), formerly Placer Pacific (Osborne) Pty Limited.

BBR means Bank Bill Rate (which for the purposes of the loan agreement will generally be the average bid rate displayed on the Reuters screen BBSY for a term equivalent to the relevant period).

Board means the board of Directors.

Broker means the brokers invited by the Lead Manager to participate in the Broker Firm Offer.

Broker Firm Applicant means persons offered a firm allocation of Shares by their Broker.

Broker Firm Offer means the broker firm offer by Brokers to their private clients in Australia as described in this Prospectus.

CHESS means Clearing House Electronic Sub-register System, operated by ASTC and another ASX subsidiary in accordance with the Corporations Act.

Cloncurry District means the district surrounding the town of Cloncurry, located in the northwest of Queensland.

Cloncurry Project means Ivanhoe Australia's Cloncurry exploration and mining tenements evidenced by legal and beneficial interests in a number of EPMs, EPM applications, MLs and ML applications near Cloncurry in northwest Queensland (IAL Tenements) and the Exco JV Tenements.

Co-Manager means ABN AMRO Morgans.

Company means Ivanhoe Australia and, where applicable, its wholly owned subsidiary, Ivanhoe Cloncurry.

Constitution means the constitution of Ivanhoe Australia as amended from time to time.

copper equivalent means a formula used to convert grades of various metals in an intersection or sample to a single metal value by assigning a recoverable economic value for each component and expressing the results in the Copper metal present.

Corporations Act means the Corporations Act 2001 (Cth) as amended from time to time.

CRA Exploration means CRA Exploration Pty Ltd, now named Rio Tinto Exploration Pty Limited (ACN 000 057 125), a subsidiary of Rio Tinto Limited (ACN 004 458 404).

Cu means Copper metal.

Cut-off-grade means the lower limit for mineral content grades of intersections or samples to be used to define the shape of a body of mineralisation, based on a combination of economics and/or geology.

Directors means the directors of Ivanhoe Australia.

dip means the angle of slope of a bed of rock measured from the horizontal at ninety degrees to the strike.

down dip means following the depth projection down (in the direction of dip).

Eligible Employee means a person eligible to participate in the Ivanhoe Australia employee share plan as defined in Section 9.9 of this Prospectus.

EPA means The Queensland Environmental Protection Agency.

EPM means Exploration Permit for Minerals granted under the *Mineral Resources Act 1989* (Qld).

Exco JV means the joint venture agreement between Ivanhoe Australia and Exco Resources.

Exco JV Tenements means the tenements subject to the Exco JV (as they may be varied from time to time), being tenements held by Exco Resources.

Exco Resources means Exco Resources Limited (ACN 080 339 671).

Expiry Date means 3 August 2009, being the date 13 months after the date of this Prospectus.

g/t means grams per tonne of ore.

Grade Shell means a boundary drawn around intersections or samples above a particular cut-off-grade to define the shape of a body of mineralisation. Used to define the volume of interest for future studies or resource estimation.

Group means Ivanhoe Australia and the entities controlled by Ivanhoe Australia.

GST means Goods and Services tax.

Historical Financial Information has the meaning given in Section 7.1.

IAL Tenements means Ivanhoe Australia's Cloncurry exploration and mining tenements (including EPM applications).

Igneous means a type of rock formed from a fully or partially molten magma (liquid).

Independent Geologist means Goldner and Associates.

Independent Geologist's Full Report means the Independent Geologist's full report on its Independent Technical Review of the Mineral Exploration Projects of Ivanhoe Australia in the Cloncurry District of northwest Queensland (taken to be included in this Prospectus under section 712(3) of the Corporations Act).

Independent Geologist's Summary Report means the Independent Geologist's summary report on its Independent Technical Review of the Mineral Exploration Projects of Ivanhoe Australia in the Cloncurry District of northwest Queensland (included in Section 6 of this Prospectus).

Inlier means a body of old rocks completely surrounded by rocks of a younger age.

Institutional Investor means an investor to whom offers or invitations in respect of securities can be made without the need for a lodged or registered disclosure document.

Institutional Offer means invitations to Institutional Investors as described in Section 2.8 of this Prospectus.

Inter-company Loan means the inter-company loan between Ivanhoe Mines and Ivanhoe Cloncurry, which as at 30 April 2008 was for the amount of \$74.7 million and part of which will be repaid using funds raised under the Offer.

International Offering Memorandum means the offer document being used for the conduct of the Offer outside Australia, which comprises an international offering circular (describing selling restrictions applicable in the United States and other jurisdictions outside Australia) and this Prospectus.

IOCG means Iron Oxide Copper Gold.

Ivanhoe Australia means Ivanhoe Australia Limited (ACN 107 689 878) and, where applicable, its wholly owned subsidiary, Ivanhoe Cloncurry.

Ivanhoe Cloncurry means Ivanhoe Cloncurry Mines Pty Ltd (ACN 106 255 216 and registered on 9 September 2003), a wholly owned subsidiary of Ivanhoe Australia.

Ivanhoe Mines means Ivanhoe Mines Ltd. (ARBN 075 217 097), a Canadian company and the ultimate holding company of Ivanhoe Australia as at the date of this Prospectus.

JORC means the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' prepared by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

Lead Manager means UBS AG (Australia Branch) (ARBN 088 129 613).

Listing means the admission of Ivanhoe Australia to the Official List and the quotation of Shares on ASX.

Listing Rules means the listing rules of the ASX.

ML means Mining Lease granted under the *Mineral Resources Act 1989* (Qld).

Offer means the offer of the Shares under this Prospectus (being an invitation made by Ivanhoe Australia for prospective investors to apply for such Shares) and comprises the Retail Offer and the Institutional Offer.

Offer Management Agreement means the Offer Management Agreement between Ivanhoe Australia, Ivanhoe Mines and UBS AG dated on or about the date of this Prospectus.

Offer Price means the price for the Shares offered under this Prospectus, being \$2.00 per Share.

Offer Proceeds means the total value of funds raised under the Offer.

Official List means the official list of entities that ASX has admitted and not removed.

Participating Employee means an Eligible Employee that elects to participate in the Share Plan.

Performance Rights are as described in Section 9.9 of this Prospectus.

plunge means the direction of the long axis of the orebody which is oblique to the both the strike and dip of the orebody.

plunge projection means the projection downwards of a body of rock, ore body, fold or other feature along its plunge line.

ppm means parts per million.

Pre-Feasibility Study means a preliminary assessment undertaken to determine the technical and economic viability of a proposed mining project.

Priority Offer means the invitation under this Prospectus to Australian resident retail investors nominated by Ivanhoe Australia, as described in Section 2.7 of this Prospectus.

Prospectus means this prospectus dated 4 July 2008 (including the electronic copy of this prospectus), and any supplementary or replacement prospectus in relation to this document.

Register means the register of persons who hold the Shares and includes the relevant CHESS subregister and issuer sponsored subregister established under the ASTC Settlement Rules, but for the purposes of allowing inspection, shall not include any subregister or supporting material which records the TFN or other tax attributes of a Shareholder, or another person.

Remaining Inter-company Loan means the amount of the Inter-company Loan that is not repaid out of the Offer Proceeds and remains outstanding following the Offer (which is expected to be approximately \$52.6 million).

Retail Offer means the Broker Firm Offer and the Priority Offer.

Selwyn Mines means Selwyn Mines Limited (ACN 090 637 255) (under external administration) and its subsidiaries from time to time.

Share means a fully paid ordinary share in the capital of Ivanhoe Australia.

Shareholder means a holder of Shares in Ivanhoe Australia.

Share Plan means the Ivanhoe Australia employee share plan as described in Section 9.9 of this Prospectus.

Share Registry means Computershare Investor Services Pty Limited (ACN 078 279 277).

Stope means an underground void from which ore has been removed.

strike means the grid direction of a horizontal line on a plane defining a body or bed of rock or orebody. ('across strike' means going across the surface projection of the strike, 'along strike' means going along the surface projection of the strike, and 'strike extension' is the horizontal extension along strike of the geological feature).

strike continuity means that the feature can be followed for some distance along strike.

Stratigraphic Horizon means usually a sedimentary rock (or group of rocks) which has features that allow it to be traced over distances as a mappable unit. It may also refer to lavas or volcanic flows.

SXEW means solvent extraction and electrowinning.

Starcross means Starcross Pastoral Holding, more particularly described as PH 13/5364, Lot 5364 on Crown Plan PH 1891.

State means a state of Australia.

Successful Applicant means an Applicant who is issued Shares under the Offer.

TFN in respect of a person, means that person's Tax File Number.

US Securities Act means the US Securities Act of 1933 as amended from time to time.

U₃O₈ means Uranium metal.

Xstrata means Xstrata Queensland Limited (ACN 009 814 019).

Additional definitions for certain technical terms used in this Prospectus are contained in the glossary in the Independent Geologist's Summary Report included in Section 6 of this Prospectus.

CORPORATE DIRECTORY

Ivanhoe Australia

Registered Office

Level 9
479 St Kilda Road
Melbourne VIC 3004

Lead Manager

UBS AG (Australia branch)

Level 16
8 Exhibition Street
Melbourne VIC 3000

Co-Manager

ABN AMRO Morgans Limited

Level 27
367 Collins Street
Melbourne VIC 3000

Lawyers to Ivanhoe Australia

Minter Ellison

Aurora Place
88 Phillip Street
Sydney NSW 2000

Australian Lawyers to Ivanhoe Mines

Greenwich Legal

Level 11
50 Margaret Street
Sydney NSW 2000

Auditors to Ivanhoe Australia

Deloitte Touche Tohmatsu

Level 25
123 Eagle Street
Brisbane QLD 4000

Share Registry

Computershare Investor Services Pty Limited

Yarra Falls
452 Johnston Street
Abbotsford Vic 3067

**IVANHOE****AUSTRALIA****Ivanhoe Australia Limited**
ACN 107 689 878**OFFER CLOSES 1 AUGUST 2008**

Broker Code

Adviser Code

Broker Firm Application Form

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. You should read the entire prospectus carefully before completing this form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the prospectus. Applications for Shares under the Broker Firm offer will only be accepted if made on the Broker Firm Application Form. Your application is, to the extent permitted by law, irrevocable.

Please note that the offer under the prospectus is conditional on Ivanhoe Australia Limited raising a minimum of \$125 million. If Ivanhoe Australia Limited does not receive applications for all of the 62.5 million Shares offered under the prospectus (at \$2.00 per share), Ivanhoe Australia Limited intends to withdraw the prospectus and the offer (see section 2.14 of the prospectus for Ivanhoe Australia's right to withdraw the prospectus and the offer) or it will otherwise issue a supplementary or replacement prospectus in accordance with the requirements of the Corporations Act 2001

A I/we apply for

Number of Shares in Ivanhoe Australia Limited at \$2.00 per Share

B I/we lodge full Application MoneyA\$ **C** Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name	Given Name(s)	Surname
<input type="text"/>	<input type="text"/>	<input type="text"/>

Joint Applicant 2 or Account Designation
<input type="text"/>

Joint Applicant 3 or Account Designation
<input type="text"/>

D Enter your postal address - Include State and Postcode

Unit	Street Number	Street Name or PO Box /Other Information
<input type="text"/>	<input type="text"/>	<input type="text"/>

City / Suburb / Town	State	Postcode
<input type="text"/>	<input type="text"/>	<input type="text"/>

E Enter your contact details

Contact Name
<input type="text"/>

Telephone Number - Business Hours / After Hours
(<input type="text"/>) <input type="text"/>

F CHESB Participant

Holder Identification Number (HIN)
X <input type="text"/>

Please note that if you supply a CHESB HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESB, your application will be deemed to be made without the CHESB HIN, and any securities issued to you as a result of the IPO will be held on the Issuer Sponsored subregister.

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>
Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

By submitting this Application Form, I/we declare that this application is completed and lodged according to the Prospectus and the declarations/statements on the reverse of this Application form and I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate. I/we agree to be bound by the Constitution of the Company.

See back of form for completion guidelines

I V A

I P O

038269_00QXWH



How to complete this form

A Shares Applied for

Enter the number of Shares you wish to apply for. The application must be for a minimum of 3,000 Shares. Applications for greater than 3,000 Shares must be in multiples of 1,000 Shares.

B Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the price per share.

C Applicant Name(s)

Enter the full name you wish to appear on the statement of share holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

D Postal Address

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

F CHES

Ivanhoe Australia Limited (the Company) will apply to the ASX to participate in CHES, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Stock Exchange Limited. In CHES, the company will operate an electronic CHES Subregister of security holdings and an electronic Issuer Sponsored Subregister of security holdings. Together the two Subregisters will make up the Company's principal register of securities. The Company will not be issuing certificates to applicants in respect of Shares allotted. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares allotted to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

G Payment

Make your cheque or bank draft payable in accordance with the instructions provided by the Broker from which you received your Broker Firm allocation. Make it payable in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian Bank.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.

Before completing the Application Form, the applicant(s) should read the prospectus to which this application relates, being the prospectus for the offer of fully paid ordinary shares in Ivanhoe Australia Limited dated 4 June 2008 with an expiry date of 3 August 2009. By lodging the Application Form, the applicant agrees that this application for Shares in Ivanhoe Australia Limited is upon and subject to the terms of the prospectus and the Constitution of Ivanhoe Australia Limited, agrees to take any number of Shares that may be allotted to the Applicant(s) pursuant to the prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

A person who gives another person access to an electronic version of this Application Form must at the same time and by the same means give the other person access to the prospectus. While the prospectus is current, Ivanhoe Australia Limited will send paper copies of the prospectus, any supplementary prospectus and the Application Form on request and without charge.

Lodgement of Application

Applicants who receive a firm offer of Shares from their Broker (as described in Section 2 of the Prospectus) should return their completed Application Form and Application monies to the Broker from whom they received the firm offer of Shares, by no later than 5.00pm (AEST) on 1 August 2008.

Neither Computershare nor the Company accepts any responsibility if you lodge the Application Form at any other address or by any other means.

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS"), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or e-mail privacy@computershare.com.au

If you have any enquiries concerning your application, please contact your Broker.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund



